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29 October 1984

# China Report

ECONOMIC AFFAIRS

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29 October 1984

## CHINA REPORT

### ECONOMIC AFFAIRS

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## PROVINCIAL AFFAIRS

### BRIEFS

GUANGDONG DEVELOPMENT STRATEGY FORUMS--The Guangdong Provincial People's Government convened a Guangdong Economic Development Strategy Forum in the Guest Reception Room today and invited concerned specialists to discuss vital matters. Invited were 13 specialists, including Zhang Yuan [1728 0955], former deputy director of the Institute of Economics, Jinan University; Sun Ru [1327 1332], director of the Provincial Academy of Sciences, and Liang Zhao [2733 6856], deputy director of the Provincial Party School. The specialists expressed their respective views and opinions, speaking freely on "Accelerating Guangdong's Economic Development," "Further Implementing the Opening to the Outside World and Enlivening the Domestic Economy," "Speeding up Construction of Energy Resources and Transportation," "Energetically Training Cadres," "Setting up a Provincial Government Economic Information System" and other topics. Liang Lingguang, Li Jian'an [2621 1696 1344], Ling Botang [0407 0130 2768], Ye Chenghai [0673 3397 3189], Kuang Ji [0562 0679], Yang Li [2799 4539] and other leaders earnestly heard the specialists' opinions. Tomorrow the provincial government will hold a forum on "Ways To Deal with the New Technological Revolution" and will invite other specialists to offer advice. [Text] [Guangzhou YANGCHENG WANBAO in Chinese 9 May 84 p 1] 12615

CSO: 4006/647

## ECONOMIC DEVELOPMENT ZONES

### ECONOMIC RELATIONS BETWEEN FOSHAN AND HONG KONG DISCUSSED

Guangzhou GANG-AO JINGJI [HONG KONG AND MACAO ECONOMIC DIGEST] in Chinese  
No 3-4, 1984 pp 66-69

[Article by Li Peiquan [2621 6792 2938] of the Propaganda Department of the Foshan Municipal Party Committee: "Foshan's Economic Development Strategy and Hong Kong's Economy"]

[Text] I. Foshan and Hong Kong's Economic Relations with Regard to Development

Throughout history, Foshan has been a fairly advanced foreign trade region. It has long-standing and well-established economic relations with Hong Kong, and the import and export trade between the people of the two regions has always been flourishing.

Since the 3rd Plenum of the 11th CPC Central Committee, Foshan and Hong Kong have had a breakthrough in the development of their economic relations and have begun a new era. In 5 years, the commercial intercourse between the two areas has increased greatly, and in 1983, the total value of foreign trade purchases almost topped the 1 billion yuan barrier, a 109.6 percent increase compared to 1978, and foreign exchange revenue totalled US\$253 million, a 60.2 percent increase compared to 1979. Starting in 1979, the two areas in succession started many different forms of economic cooperation such as processing and assembly, compensatory trade, lease trade and joint and cooperative ventures.

What is remarkable is that Foshan had an especially quick development in utilizing foreign capital and importing technology. By the end of 1983, the city had already used a total of US\$140 million in foreign capital, had imported 76,700 pieces (sets) of equipment and 43 production lines and in the entire province was fourth only to Shenzhen, Guangzhou and Zhuhai.

Foshan exports more than 250 types of products to or through Hong Kong. Of these, vegetables, fish, soy sauce and rice wine occupy a significant position on the Hong Kong market and silk worm cocoons, silk, rattan work and electric fans also hold an important place.

II. Special Characteristics of Foshan's Strategy for Economic Development

In short, Foshan's strategy for economic development has the following characteristics:

1. It is light. It resolutely depends primarily on the light and textile industries: maintains a light industry economic structure; uses the textile, electronics, plastics, sugar, paper and ceramics industries as pillars; and at the same time pays attention to the development of the three traditional industries of medicine, foodstuffs and casting and traditional products.
2. It is high. It has achieved a high level in science and technology and management, high-quality products and a highly efficient economy.
3. It is fast. The rate of economic development must be fast. From 1980 to 1995, the estimated average yearly increase of Foshan's industry is 10.5 percent and the average yearly increase for agriculture is 8.7 percent. We guarantee to be 5 years ahead of schedule and strive to be 8 years ahead of schedule, and we will realize a quadrupling of gross industrial and agricultural output.
4. It is abundant. We must take the first step and have abundance in the province and in the Zhu Jiang delta region. In 1980, the average income was 596 yuan per person; by 1986 it must reach 900 yuan; and by 1995 it must reach 1,510 yuan, and we must strive for 1,800 yuan. We must realize ahead of time a comparatively well-off level in the people's material and cultural lives.

The strategy for Foshan's economic development is both a demand of the four modernizations and is a condition and possibility for realizing them. The strategy is proposed on the basis of making an analysis by seeking the truth from the facts of Foshan's past and present situations, major and minor strengths and objective conditions and subjective factors.

The strengths and favorable conditions for Foshan's economic development, are the weather, its favorable geographic position and the support of the people. Specifically, they are:

Weather: the Foshan area is located in the Asian tropics, the land is fertile and the climate is warm. It possesses natural conditions for superior economic development. Currently, China is carrying out the policy of opening up to the outside world and stimulating the economy domestically. This is the best time since the beginning of recorded history for Foshan to develop its economy.

Geographic position: Foshan is adjacent to Hong Kong and Macao and is close to Guangzhou, there is a criss-cross network of land and water communications, small and medium-size cities are spread throughout the area and it possesses superior geographic conditions for economic development. Since 1949, Foshan's industrial and agricultural industries have established a definite base. There is a complete range of light and textile industries

with a large assortment of products and strong suitability and flexibility. The layout of the agricultural economy is varied and the commodity industry is developed. These are favorable conditions for further developing future economies.

Support of the people: Foshan has 3.47 million ingenious and hardworking citizens. There are also 1.4 million overseas Chinese and Hong Kong and Macao compatriots who love their mother country and their hometowns. Under the guidance of the 12th Party Congress of the CPC, the people of the city are high-spirited and vigorous, and they will rally and unite in a common effort to develop Foshan's economy vigorously.

The strategy for Foshan's economic development as well as its superiorities has the following three outstanding characteristics:

1. Foshan's economy is an open economy. It faces both the domestic market and the international market (it mainly faces the markets of Hong Kong and Macao).
2. Both at the present time and in the distant future, the superiority of nearby Hong Kong and Macao and of the overseas Chinese and Hong Kong and Macao compatriots has and will have a special strategic significance for Foshan's economic development.
3. The relationship between the strategy for Foshan's economic development and Hong Kong's economy is a relationship that is closely linked, mutually promoting and jointly developing.

### III. Hong Kong's Role in Foshan's Economic Development

1. Hong Kong is an important target for Foshan in its use of foreign capital and importation of technology.

Hong Kong is one of the world's banking leaders. It has plentiful funds and needs a place to invest in. Foshan has conditions that are richly endowed by nature.

Hong Kong is a developing industrial city, and it has a large amount of advanced technical equipment and management expertise that it can supply for imports. It is also a center for international conferences and service; through Hong Kong we can import the technical equipment and management methods from industrial nations.

Currently, from the viewpoint of the entire situation, the equipment from Foshan's industrial and communications enterprises is obsolete, the technology is backward, the products are out-of-date, they lack competitive capabilities and their economic results are substandard. Importing advanced technical equipment and carrying out technological transformations for enterprises are quick but effective ways to improve the enterprises economic results and the competitive capability of its products.

Foshan's need for funds and advanced technical equipment is identical to Hong Kong's potential. This need and possible similarity will result in a long-term and strategic economic cooperation.

In recent years, due to the importation of advanced technical equipment, the technical level of the equipment of Foshan's industrial and communications enterprises has already risen somewhat. According to statistics, of the equipment for the special purposes of China's state-run industrial and communications enterprises, the technological level of equipment dropped 12 percent from the 1940's to the 1960's, rose 6 percent in the 1970's and has risen 10 percent in the 1980's.

2. Hong Kong is an important place for Foshan to develop foreign trade and gain foreign exchange.

Hong Kong is an important sales market for Foshan to export products (especially agricultural produce and sideline products). Foshan already has a good base for developing its trade with Hong Kong. Foshan has 32 trading ports with Hong Kong (of which 8 are terminals for loading and unloading goods), 22 special import and export branch companies, 26 supply companies and 65 purchasing centers at the basic level. More than 50 percent of Foshan's enterprises assume export tasks and 25 percent of its industrial and agricultural goods are sold to the Hong Kong, Macao and international markets.

3. Hong Kong is an important window for Foshan in utilizing the new achievements of the world's technological revolution.

Foshan is a coastal city and is also an area with a good industrial and agricultural base and a fairly advanced economy. Challenged by the world's new technological revolution, Foshan must be able to skip over the development stage of certain traditional industries, directly adopt the achievements of the world's new technological revolution and so enable the technological level of the city's main industries to achieve the current advanced world level by the end of the century.

The situation facing Foshan, however, is extremely pressing and the tasks are quite formidable. Further, with regard to the circumstances of the production and application of microcomputers, Foshan's present level is indeed low, and it is extremely backward, especially concerning applications. According to a most recent preliminary examination of the circumstances of the city's production and application of computers, there are only 2 factories producing microcomputers, and their output in 1983 was 785 computers. The entire city uses 45 computers for industrial control, commercial management and product and construction engineering and design, and there are no home or personal computers.

With regard to the production and application of microcomputers, Hong Kong has already achieved an advanced level. There is great potential for cooperation between Hong Kong and Foshan in this respect. There are also broad prospects for cooperation with regard to the importation and

application of other new technology (such as genetic engineering, fiber optics and laser technology).

In order to give better play to Foshan's advantage of being located next to Hong Kong and Macao and in order to use more effectively the accomplishments of Hong Kong's economy to serve Foshan's four modernizations, in the future we must:

1. Strengthen the research on Foshan's economy and Hong Kong's economy.

Hong Kong's economy is closely related to the development of Foshan's economy. However, Foshan's research on Hong Kong's economy is still quite insufficient. Foshan has neither special agencies nor full-time personnel. Even though it has a few part-time personnel, it is still unable to achieve its proper effect due to the large number of tasks, small amount of data and lack of perceptual knowledge. Last year, the Hong Kong dollar took a steep fall. Because our news of the depreciation of the Hong Kong dollar was untimely and our estimate was insufficient, we lost nearly 10 million yuan. This lesson is enough to make us take note to research Hong Kong's economy.

The effect of Hong Kong's economy on Foshan's economic development, besides its advantages, also has some disadvantages. Because Hong Kong's economy is greatly dependent on foreign nations and because the foreign market has its ups and downs, the development of Hong Kong's economy is affected. If things do not go well, Foshan will also suffer economically. When developing economic relations with Hong Kong, we must make every effort to exploit its strengths and avoid its weaknesses, attain its benefits and protect against its disadvantages. This makes it necessary to strengthen research on Hong Kong's economy.

At the same time, we must further strengthen our research on Foshan's economy. This is to say that after carrying out a system of municipality administered counties, we have had a good beginning in researching Foshan's economy with regard to organizations and personnel. Currently, the main problem is that our strengths in organizations and personnel are dispersed.

We must establish a research center for economic and social development and also provide an appropriate number of full-time personnel to research Hong Kong's economy. This will be beneficial toward strengthening the research on the economies of Foshan and Hong Kong and will nicely combine the two. It will also be beneficial toward unifying and arousing both economic research personnel and our strengths in every respect. This will cause Foshan's economic research to reach an even higher level. This is necessary for Foshan's strategy for economic development. Currently, we have the opportunity and conditions to establish this type of organization.

2. We must consider the slogan "import from abroad", cooperate domestically and push our products toward foreign markets" to be an important guiding policy for Foshan's economic development. In the past, we proposed "import from abroad and cooperate domestically" or "cooperate

domestically and push our products toward foreign markets." This undoubtedly is correct for any particular process, yet from the viewpoint of the entire process, is not complete enough. We must connect and unify the three links of "import from abroad, cooperate domestically and push our products toward foreign markets," and this is then an outstanding economic cyclical process that is mutually related, mutually prompting and has mutual causes and effects. The import from abroad is to import foreign capital, advanced technology, management methods and qualified personnel. Domestic cooperation means to combine the strengths of the domestic and foreign markets in all respects and so effectively assimilate, digest and create the imported technical equipment and management personnel. Pushing our products toward foreign markets means to produce commodities of superior quality and low price and with competitive capability and to push them into the international market.

At present, Foshan is importing more and more. However, domestic cooperation is not strong enough and we are not pushing our goods on foreign markets with enough power. What is especially worth noting is that we must place the work of absorbing and digesting imported technical equipment on the order of the day. This is a key link that effects imports and pushes our goods on foreign markets. If we solve this link we can then ensure that we are importing with enough force and that we are creating the power to push our goods on foreign markets, and we can promote the healthy and speedy development of Foshan's economy (including economic relations with Hong Kong).

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CS0: 4006/743

## ECONOMIC DEVELOPMENT ZONES

### LIANYUNGANG PORT FACILITY CONSTRUCTION

Guangzhou YANGCHENG WANBAO in Chinese 29 Jun 84 p 2

[Article: "To Prepare for Opening to Outside World, Lianyungang Moving Mountains and Filling in Sea To Construct Harbor Facility"]

[Text] To greet and prepare better for the opening to the outside world, Lianyungang is moving mountains and filling in the sea to construct a large-scale port facility.

Lianyungang has established a leadership group for the opening to the outside. Based on a practically designated development plan, it has adopted a tri-level structural model with the Haizhou Bay economic zone as its base, centered around the city as its core, and with the Longhai Railroad economic zone as its link abroad. At present, it is first stressing the reconstruction of the old port area and the construction of a new port area. The large-scale engineering project of moving mountains and filling in the sea is being stepped up. Under construction in the old port area is a 40,000-ton sundry goods berth and in the new area, a 35,000-ton coal berth. According to the plan, by 1990 there will be 100 berths constructed at Lianyungang with an annual handling capacity of 60 million tons.

At the same time as port construction is being stressed, Lianyungang is paying attention to emphasizing the introduction of the technical transformation for old enterprises. The development of the ocean and phosphorous chemical industries, the light and textile industries and the foodstuffs, beverage, packaging, electronics and new construction industries are first being particularly emphasized, to create gradually a modern industrial network. Utilizing advanced Japanese equipment, Lianyungang Xinpu Clothing Plant's work efficiency has improved nearly 10-fold, product standard rates have reached 100 percent and the goods are sold far away in various countries in Europe and the U.S. Only 3 months after negotiating an agreement with the Sandeli [Phonetic 0005 1779 0448] Food Products Co. under a joint project with Japanese businessmen for a U.S. \$12 million investment, preparations for the first phase have been completed and the actual development stage will begin. One of the Japanese personnel remarked, in amazement that progress has been at lightening speed.

12615

CSO: 4006/674

## ECONOMIC DEVELOPMENT ZONES

### WENZHOU TO UPGRADE ENTERPRISES, CONSTRUCT ECONOMIC ZONE

Guangzhou YANGCHENG WANBAO in Chinese 6 Jul 84 p 2

[Article: "Import Emphasis on Upgrading Old Enterprises; Wenzhou Tentatively Decides on 68 Projects"]

[Text] Wenzhou, Zhejiang Province, has formulated a principle, based on reality, for opening to the outside world. It will place the emphasis for utilizing foreign capital and introducing technology on upgrading old enterprises.

Wenzhou's industrial base is weak, there are many small enterprises and the equipment is backward. Therefore, the city government has decided that the emphasis of imports shall be on readjustment of the industrial, commodity and technological structures, and imports shall be suited to advanced technology, thus upgrading traditional industries and developing the rising industries. It has been determined that the import emphasis shall be electronic instruments, foodstuffs, light and textile industries, construction materials, machinery, hardware, etc. Tentative arrangements have been made for 68 projects with a total investment of over US \$100 million.

At the same time, Wenzhou is also planning to open the Longwan Village Economic and Technological Development Zone along the lower reaches of the Oujiang River. Plans to open it in the near future are currently being formulated. In coordination with the opening of the economic and technological zone, there are plans to construct a 300,000-ton berth on the north shore of the mouth of the Oujiang River; a vacation village and an amusement park on the islet in the center of the river, commonly called the "island of the immortals"; a first-class hotel on "the world's most uncommonly beautiful and exceedingly lovely" Yandang Mountain; and a mid-sized airport able to accommodate Boeing 737's and Tridents in the vicinity of Longwan Bay.

12615

CSO: 4006/672

## ECONOMIC PLANNING

### TAIYUAN PLANT RENOVATION PLANS APPROVED

HK060730 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 4 Oct 84

[Text] According to SHANXI RIBAO, Taiyuan Iron and Steel Plant's plan of carrying out technical transformation through raising funds has recently been approved by the state.

The provincial CPC committee and the provincial government have urged the plant to implement the general plan of technical transformation sooner, and to organize things for implementation. In connection with this, the plant will be raising funds from the state, local authorities, enterprises, and banks to settle the sum of 105 million yuan for the technical transformation as well as for other expenses. Of this, Taiyuan Iron and Steel Plant is responsible for 35.6 percent of the funds, provincial and local financial authorities are to allocate 23.5 percent, banks to provide loans equivalent to 26.2 percent of the funds, and the state is to make tax concessions equivalent to 14.7 percent of the funds.

The technical transformation of the plant is to begin this year and will end in 1990. Upon completion, the annual steel output of the plant will reach the level of 1.5 million tons, that of pig iron will be 1.1 million tons, and that of rolled steel will be 1.15 million tons. In addition, the ratio of high quality steel will be 90 percent. It will repay all debts and will make an annual profit of 380 million yuan, while it will meet the requirements of the state.

During the 7 years of transformation, the plant will delivery more than 1.2 billion yuan of profits and taxes, or 104.51 percent of the gross investment amount of the plant at the time. Furthermore, it can allocate a portion from its retained funds to improve the well-being of the workers.

CS0: 4006/34

## AGGREGATE ECONOMIC DATA

### BRIEFS

GUANGZHOU SEPTEMBER INDUSTRIAL PRODUCTION—Guangzhou City's gross industrial output value in September was 1,138 million yuan, a record. The total output value from January to September was 8.43 percent more than in the same period last year. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 6 Oct 84 HK]

CSO: 4006/34

## ECONOMIC MANAGEMENT

### QINHUANGDAO TO HOLD NATIONAL INFORMATION MARKET

HK240444 Beijing RENMIN RIBAO in Chinese 19 Sep 84 p 5

[Report by Li Kefu [2621 0344 1133]: "First National Economic and Technological Information Market to be Held in Qinhuangdao"]

[Text] Initiated by wellknown economist Comrade Yu Guangyuan, the first national "economic and technological information market" will be held in Qinhuangdao City from 4 to 8 October. The Economic Results Development Advisory Service Company which sponsors this fair has recently been making preparations for it together with the Qinhuangdao City People's Government. Recently, the responsible person of the Organization Committee of the Economic and Technological Market gave an interview to this reporter and answered the relevant questions asked by this reporter:

Question: What are the main activities of this economic and technological information market?

Answer: Except for the ribbon-cutting opening ceremony on 4 October, we do not plan to hold any meetings and will mainly let participants look for partners to hold activities on their own. The concrete methods that we plan to adopt are 1) those who want technology and products put up posters to invite tenders; 2) those who want to supply others with technology publicize the technology and fix prices for selling the technology; 3) those who provide products put up marketing advertisement and receive orders; and 4) participants can hold face-to-face talks on the training and exchange of personnel.

Question: How do you plan to organize the activities?

Answer: Our task is to strive to enable the supplier and customer of the information consultation to have face-to-face direct contacts in the information market. Therefore, we should understand and master as soon as possible what information those who take part in the activities of the information market want to get or can provide. During the period when the market is in operation, we will edit and publish a few issues of INFORMATION MARKET SPECIAL. The Qinhuangdao City People's Broadcasting

Station and the QINGHUANGDAO RIBAO will also respectively broadcast special programs and publish special columns to give detailed reports on the activities of the information market. Advertisement boards will put up in the main streets and residential areas of the city and information teahouses should be set up in the areas where the participants live in order to provide convenient conditions for them to exchange information and hold talks. We are making efforts to establish a provisional post office to ensure that the mails sent by the participants in the information market will be delivered free of charge to the receivers within 1 hour. At the request of the participants, we will be responsible for issuing notices, renting places for activities and holding parties on their behalf.

Qinhuangdao City has also decided to open up several streets in its urban areas to hold a materials and good exchange fair and thus make arrangement for exhibiting and marketing the materials and goods of the various areas of our country in the city. At the same time, a national forum of economic information newspapers and journals will be held at Beidaihe.

As for the fund for the activities of this large-scale fair, we have adopted the method of charging a 200 yuan "market organization fee" to each of the participants in the activities. All participants have to remit the "market organization fee" by telegram to Qinhuangdao City Economic Information Market Reception Committee before 25 September. Telegraphic transfer should be made into its account No 2089270 with the head office of the Qinhuangdao Branch of the People's Bank. Those who cannot send the fee in time can bring the fee with them when they come to take part in the activities.

Question: What accommodations do you plan to provide for the participants?

Answer: The Qinhuangdao City mayor is in charge of this work and he has already organized a reception committee. All the guesthouses, family hotels, vehicle service companies, and catering trade units have been mobilized to provide satisfactory service for this fair.

Question: What is the response of various areas to this information market?

Answer: There has been quite a strong response. Beijing Municipality has arranged a special lecture and some economic information and scientific and technological consultation departments are planning to take part in the fair. Hebei Province is making preparations for the establishment of an exchange delegation. The leading groups of Qinghai, Gansu, Hubei, and many other provinces and cities have expressed their willingness to send more individuals and units to take part in the activities.

We warmly welcome the enterprises, institutions, scientific research and education units, specialized households, individual households, and other information organizations all over the country to take part in the activities and to give us their valuable opinions on the carrying out of similar activities in the future.

CSO: 4006/25

## ECONOMIC MANAGEMENT

### ARTICLE BY YU GUANGYUAN ON INFORMATION EXCHANGE

HK240445 Beijing RENMIN RIBAO in Chinese 19 Sep 84 p 5

[Article by Yu Guangyuan [0060 0342 6678]: "A New Form of Information Exchange--Written Before the Holding of the 1st National Economic and Technological Information Market"]

[Text] The idea of holding a national economic and technological market took shape in August when I visited Gansu. In that province, I found that the comrades there were very active in developing commodity production, but they did not have quick access to economic and technological information. In making decisions on something, they mainly rely on those whom they are familiar with and the economic management organizations there for acquiring information. True, they should use these channels of information, but these channels are not enough. They should have broader channels for acquiring economic and technological information in order to get a larger amount of more adequate information. Otherwise, they cannot ensure success in what they are doing.

Last month, I published an article in GANSU RIBAO, in which I talked about the following idea: In current capitalist society, most of the entrepreneurs have learned commercial knowledge in the schools and acquired book knowledge about the importance in mastering market information. Later, they continue to improve their knowledge in this aspect through practice. Therefore, we should say that they are better than most of our enterprises managers in acquiring information and making forecasts. Nevertheless, they often entrust the information advisory institutes in the society to make investigation and theoretical reasoning for them before they make final policy decisions. Most of our enterprise managers can be said to have just begun to have something to do with the work of acquiring information; therefore, they should work hard and carry out careful study in this sphere. At the same time, they should manage to get help from economic and technological information organizations. In our country, it is imperative to set up and develop a large number of information advisory institutes to serve them.

During the past year, particularly, during the past few months, information advisory institutes have been established one by one in various areas and information advisory newspapers and journals have mushroomed. The

relevant unit in the capital and the economic information organizations in several cities have initiated the setting up of the "China Combine of Economic and Technological Social Information Advisory Organizations" (shortened as "Combine of Information Organizations"). This has precisely been aimed at improving the information advisory work. The relevant departments are considering the question related to the establishment of information networks and the application of modern information facilities to transmit information. However, taking into consideration the concrete conditions in our country, in addition to modern methods, we should adopt some traditional methods to supplement modern methods. This made me hit upon the idea of experimenting with setting up an open information market and the holding of an economic and technological information exchange fair, in which all people are allowed to take part. Under relatively backward technological conditions, this will achieve relatively greater economic results.

I am grateful to the Economic Results Development Advisory Service Company and the Qinhuangdao City People's Government who have accepted my proposal and decided to hold the first economic and technological information market. They have carefully studied the matter and made careful arrangements for it. They have also got support from many units in our country. I think that these activities will be a very significant experiment. No matter what shortcomings may emerge in these activities, they will after all enable us to accumulate experiences in carrying out exchanges of information.

I wish the first attempt of economic and technological information market success!

CSO: 4006/25

## ECONOMIC MANAGEMENT

### HEBEI GOVERNOR ON TRUTH FROM FACTS, BUILDING HEBEI

HK100335 Shijiazhuang HEBEI RIBAO in Chinese 14 Sep 84 pp 1, 2

[Article by Zhang Shuguang [1728 2562 0342], secretary of the Hebei Provincial CPC Committee and governor of Hebei, to be published in HEBEI XUEKAN [HEBEI BULLETIN] No 5, 1984: "Adhere to the Principle of Seeking Truth From Facts, Make a Determined Effort to Build Hebei—Celebrating the 35th National Day of the PRC"]

[Text] One October 1984 will mark the 35th National Day of our great PRC. We get very excited when we reflect on the past in light of the present. We think deeply of the revolutionary martyrs. We hereby pay sincere tribute to Hebei's workers, peasants, intellectuals, revolutionary army, and the masses of cadres who have contributed much to the founding of new China and the socialist construction drive.

#### I.

For 35 years the most fundamental experience in the Chinese revolution and socialist construction drive under the leadership of the CPC and Comrade Mao Zedong has been the integration of the general theories of Marxism with the substantive practice of the Chinese revolution and the adherence to the scientific spirit of seeking truth from facts, a Marxist [words indistinct] established by our party during the long revolutionary practice.

Both positive and negative experience has proved that whenever we adhere to the principle of seeking truth from facts, our economic construction booms, our productivity increases, and the people's livelihood continuously improves; whenever we deviate from this principle, our economic construction suffers tremendous losses, our productivity is sabotaged, and the people lead a poor life. The undesirable consequences of the 10 years of turmoil proved by negative example that adherence to the party's ideological line of seeking truth from facts is of paramount importance. One of the greatest contributions made by the 3d Plenary Session of the 11th CPC Central Committee was its restoration of this Marxist ideological line in the party and its formulation of policies and guidelines which tally with the situation in China. As a result, this vast country of 9.6 million square kilometers has experienced a great change. Both urban and rural economy has greatly developed and the people's livelihood has rapidly improved. As Comrade Deng Xiaoping says: "All the victories we have won in our revolution are attributable to the principle of seeking truth from facts. Now we must also adhere to this principle when realizing our four modernizations drive."

Like the nation, Hebei has experienced tremendous changes during the past 35 years. The total industrial and agricultural output value of the province in 1983 was 14.5 times that in 1949. The national income and the national income per capita in 1983 had increased by 5.2 times and 3.6 times respectively as against 1952. In respect of agricultural production, we have initiated large-scale farmland improvement groundwork. At present, over half of our cultivated land is paddy fields and irrigated land, and nearly one-third of it is stable and high-yield cropland, which ensures stable yields despite drought or excessive rain. In 1983 our total grain yield reached 37.99 billion jin, and our cotton yield reached 1.5 billion jin. Apart from supporting ourselves, we were able to provide marketable grain and cotton. In respect to industry, the province has acquired a fairly solid foundation and has basically initiated the distribution of industry. The province has developed a relatively wide range of industry. At the end of 1983 total industrial output had increased 50.8 times as against 1949. The output of steel had increased 579 times. At present, 5 days' electricity production will certainly exceed the energy generated throughout all of 1949. A new batch of modern industries, such as petroleum, tractors, trucks, airplanes, and television sets have grown out of nothing or have developed rapidly.

The province's culture, education, health and sanitation, and science and technology have also undergone tremendous development. Before the liberation, illiterates made up 80 percent of the province's population. Today, we have greatly developed our education in various fields and at various levels. The reform in rural education is particularly promising. Our medical and health services have also developed remarkably. The province's science and technology has grown from a basis of being "poor and blank" and has attained positive results, of which some have reached or come close to the international advanced level and some have filled bland spots of the nation. The livelihood of the urban and rural laboring masses has improved a lot. The conditions of the poverty before liberation, in which the people were poorly fed and poorly clad, have gone forever. Today, the people are not only well-fed and well-clad, but are seeking refinements in life. The purchase of high- and middle-grade home appliances has increased continuously. Meanwhile, we have taught the masses of the people socialism, communism, and adherence to the four basic principles. Socialist spiritual civilization has blossomed throughout the province. The construction of cultural villages and units has been in full swing. More precious is that the party's policies and guidelines have stimulated the people's enthusiasm for wealth through labor. Consequently, the people of the province love their motherland more and support the central government more.

## II.

Whenever we recollect the glorious achievements during the past 35 years since the founding of the republic, we will never forget the precarious situation which beset the party and the state before the 3d Plenary Session of the 11th CPC Central Committee. The 10 years of turmoil and the disturbance and damage caused by the "gang of four" created chaos within the party and brought the national economy to the verge of collapse. The 3d Plenary Session of the 11th CPC Central Committee made vigorous efforts to turn the tide by restoring the party's line of seeking truth from facts, systematically bringing order out of chaos, and reintroducing appropriate answers to a series of questions concerning socialist theories, guidelines, and policies. It resolutely brought an end to the slogan of "take class struggle as the foundation," and shifted the strategic focus of

the entire party so as to put our cause of socialist construction back on the right track and achieve further development. Comrade Wan Li once said that the masses of people would never support a regime if it did not develop the economy, improve the people's livelihood, or let them have ample democracy, no matter which party it was run by or under which political ideology it was run.

During the period before the 3d Plenary Session of the 11th CPC Central Committee, we were under undue 'left' influence. Our guidelines for developing industry and agriculture were incorrect and we did not act in accordance with the scientific spirit of seeking truth from facts. On the contrary, we went against the natural law and the economic law and continuously introduced a series of incorrect policies, which finally resulted in economic dislocation, failure to revive social productivity, persistent stagnation in industrial production, poor economic results, constant low grain yields, meager production of cotton, at 30-40 jin per mu, financial difficulties, and a hard life for the masses of people. Since the 3d Plenary Session of the 11th CPC Central Committee and the Hebei work conference called by the central government and in particular since the reshuffling of the leading group of the provincial party committee, the province has continuously eliminated the undue 'left' influence, the household contracted responsibility system with payment linked to output has been introduced in the rural areas, and a diversified economy and commodity production have been promoted to give full play to the peasants' enthusiasm. The grain and cotton yields in 1983 reached historically high levels. Batches of specialized households and key households have come into existence. Some peasants have become divorced from the land. Small towns and townships are developing. The outlook in the rural areas is perpetually changing. On the basis of last year's remarkable industrial output, the cumulative industrial value for the first 7 months of 1984 reached 15.93 billion yuan, constituting 59.7 percent of the planned annual output. Losses incurred in enterprises dropped 51.38 percent compared with the same period last year. The revenue of rural and urban enterprises increased 27.4 percent compared with the same period last year. Urban economic reform is being carried out in an enthusiastic manner. All trades and professions have concentrated themselves on resolving the problem of "eating from the same big pot." They have also put into effect the principles of working more to earn more and of "the state should get the greatest share, the collective should get the medium share, and the individual should get the smallest share," which has given full play to the workers' enthusiasm. Output value, and profits, as well as the amount of tax payable, have increased correspondingly. The province is now full of vitality. Through the 35 years of practice since the founding of the republic, we have personally become aware that the principle of seeking truth from facts is the lifeblood of our economic construction.

### III.

Though we have scored remarkable achievements in economic construction during the past 35 years, we still have a long way to go if we wish to achieve the lofty and strategic goal proposed by the 12th NPC. We have only less than 17 years to go before we reach the year 2000. We should, therefore, pay more attention to various projects in economic construction, speed up the quadrupling of our economy, and step up the reform of our economic system. We now possess sufficient and favorable conditions. First, summing up the experience gained and lessons learned during the past 35 years, we have, since the 3d Plenary Session of the 11th CPC Central Committee, uprooted 'left' error, the gravely impractical belief that "written dogmas and superiors are infallible," and the conservative ideas

which were "stable" in name but "stagnant" in nature, clarified some serious historical rights and wrongs, and reshuffled the leading groups of the province, its localities, and its counties. As a result, the political outlook of the entire province has been stabilized and unified. Second, the courageous and hardworking people of the province possess a glorious revolutionary tradition and the spirit of building the province. Third, the province lies around Beijing and Tianjin, with an equal distribution of medium-sized cities. To its west are the coal mines of Shanxi and Nei Monggol. To its east is the Bo Hai. Criss-crossed by a railway network, the province's communications are convenient and there is quick access to information. These are the unique geographical advantages for developing its commodity economy. Fourth, the province enjoys a relatively solid industrial foundation, with fixed industrial assets of 24.491 billion yuan, ranking eighth in the country. It has 57 large key enterprises and 157 types of industry. Metallurgy, mechanical engineering, textiles, coal mining, and building construction have become key industries in the province. Some of these products are even among the best in the country. Fifth, the province has rich agricultural resources. It has 8 categories and 3,000-odd types of plants and wild plants with economic value. It also has more than 140 types of poultry and livestock. It is also rich in production of various famous local products and traditional handicrafts. Sixth, the province is rich in mineral resources. At present, more than 80 types have been identified. There are more than 50 types whose deposits have been verified. The deposits of coal, iron, and petroleum make up a significant proportion of the national deposits. There is a wide distribution of medium-sized and small mines within the province, suitable for the masses of people to exploit. Its building materials and raw materials have become the mainstay of urban and rural enterprises. Seventh, with the implementation of the household contracted responsibility system with payment linked to output, the rural areas are now on their way to transformation to large-scale commodity production. Eighth, the reform of the urban economic system is also in full swing. The entire province is now in a totally favorable situation, ranging from the rural areas to the cities, from key points to all enterprises, from collectives to state enterprises, and from individual projects to comprehensive reforms. These are the favorable conditions of the province.

However, great as the achievements and favorable situation may be, we must keep our heads cool and remain close to reality and the masses. We must realize that we are still a long way behind the advanced provinces and cities, since Hebei has been deeply affected by "left" influences and is conservative in thinking, unbalanced in economic development, backward in science and technology, and so forth. We must also realize that our brother provinces and cities are racing against time in an effort to effect reforms. Consequently we must work harder and make bigger stride than they do, so as to advance at the fastest speed.

#### IV.

During his recent visit to eight counties of the province, Comrade Hu Yaobang pointed out that everything should be concentrated on the four modernizations drive and that we should develop production in line with local conditions, to enrich the state as well as the masses of the people as soon as possible. Comrade Yaobang's instruction has pointed the way forward. In order to adhere better to the principle of proceeding from practice, to give full play to the present favorable conditions, and to build Hebei faster, we should fulfill the following:

First, thoroughly negate the "Cultural Revolution," entirely shake off the yoke of the "two whatevers," continue to liquidate the pernicious 'left' influence, and further straighten out the ideological line. The set of pernicious theories which appeared during the "Cultural Revolution" and the ideological nature of the "two whatevers" were idealist and metaphysical, which went entirely against the party's pragmatic, materialist, positivist line, and were divorced from real life. As far as Hebei is concerned, a more noteworthy lesson is that during a certain period after the 3d Plenary Session of the 11th CPC Central Committee, we were still under the influence of the "two whatevers," and we still adhered to 'left' ideology. We did not seriously observe the guidelines and policies stipulated by the third plenary session. We missed an opportunity and have lagged behind. In June 1982 Comrade Gao Yang was sent by the central government to head the province and the leading group of the provincial party committee was reshuffled. Under the leadership of the new leading group, we resolutely put into effect the guidelines and policies adopted at the third plenary session, adhered to the principle of seeking truth from facts, proceeded from practice, and tried hard to catch up with and keep pace with the nation. It was then that our economic construction drive dashed forward, creating a promising outlook. In order to solidify and develop the present favorable situation, it is necessary for us to thoroughly liquidate the extreme left and pernicious influence of the "Cultural Revolution" and that of the "two whatevers." Only by so doing can we revive the party's outstanding tradition of seeking truth from facts, revive Hebei at a faster pace, quickly develop productivity, and make our people become rich as early as possible.

Second, we should dig deep into reality and conduct in-depth surveys and studies. We are presently required to learn again and surveys and studies are surely the best way of learning. There are many subjects that we should survey or study. At present, we should concentrate on the examination of the new problems arising from the rural economic reforms and the urban economic reforms. We should dig deep into reality, dig deep into the reforms initiated by all trades and professions, dig deep into the large-scale development of rural commodity production. The lives of the masses of the people are energetic and vital, blended with luster and color. All knowledge, intelligence, creativity, and tremendous material strength are generated from the practice of the masses of the people and from real life. We have to undertake detailed surveys and studies before we tackle problems and make proposals and decisions. Comrade Mao Zedong said: "All conclusions come after surveying the situation, not before." In building Hebei's economy we should keep in line with local conditions. Lack of discrimination should be definitely avoided. Taking the development of rural commodity economy as an example, the situation varies from one locality to another. To make guidance by region possible, we have divided the province into eight big regions, namely, Bashang plateau region, Yanshan mountainous region, Taihangshan mountainous region, Jidong flatland region, the flatland region along both sides of Jingguang railroad, Heilonggang region, Binhai flatland region, and the economic region around Beijing and Tianjin. Each region has its own distinguishing features, with different favorable and unfavorable conditions. Each region has to be subdivided into different subregions in accordance with their different distinguishing features. With the help of scientific surveys, short-term and long-term economic plans have been formulated. Each region or subregion has to make its own breakthroughs and open up its own new way. In fact, every county, every rural area, and every village is required to give full play to its own

favorable conditions, to do what suits it best, to do things unreservedly, and to develop specialized households. Each household and each individual should look for a way to wealth, with each one showing his or her prowess. We must attach importance to the vigorous development of planting, breeding, exploitation of minerals, transportation, processing, service trades, small-scale energy plants, and building construction. Taking the development of industrial production as an example, each enterprise should make its own breakthrough and resolve its own problems in a resolute manner. The existing transformation of enterprises should be vigorously strengthened. Importance should be attached to technological transformation, introduction of technology, renovation of facilities, the tapping of potentials, and the manufacture of complete sets of equipment, and to the transformation and expansion of enterprises. The development of new enterprises should proceed from practice. Feasibility work and technical demonstrations should be carried out seriously. No excessively large-scale or "dead end" projects should be allowed. Neither should projects which "grow long beards" be allowed. We should adhere to the concerted development of the state, the collective, and the individual. Multitier, multichannel, and multifarious programs with small investment but quick turnover and great results should be initiated.

Third, adhere to the idea that practice should come first. We should also be bold in initiatings, without which it is impossible for us to build socialism with distinctive Chinese features or to create Hebei's own distinctive features and style. Items of reform should be carried out one by one. There is no ready-made formula for reform and transformation. We have to be bold to practice and create. If we think that it is time for us to do something, practice it and do not wait for "documents with a red heading." In its No 9 memo, the Central Commission for Guiding Party Rectification has clearly pointed out that: "It is necessary for you to give full play to your enthusiasm, activeness, and creativity. You can carry out any matter which is within your terms of reference and which has been carefully studied without prior approval from your superior, if you think that it is time for you to carry it out and that it will help push forward other items of work and play a leading role." Viewed from the standpoint of the nature of things, documents are only secondary, because they come from practice and are constantly tested, enriched, and developed by it. In the cause of reform, anything which tallies with the four basic principles and which is beneficial to the people and the state should be vigorously supported and assisted. The masses of people should be allowed and encouraged to practice. We should not discourage or criticize them even if they make mistakes. Nor should we refute the whole thing when some minor thing goes wrong. They should be allowed to pay the price for their lesson. We should, of course, strive to pay less. We have to treasure and cherish the people's enthusiasm for reform. In giving full play to their enthusiasm, we should be tactful in guiding them and should closely relate their enthusiasm to science. The masses of the people should be encouraged to sum up, learn, perfect and improve through continuous practice. It should be noted that only when we have the people's practical experience can the leading organs formulate correct policies. The masses of people are forever the greatest driving force throughout historical development. This is the greatest and most fundamental principle of seeking truth from facts.

Fourth, in connection with our ideology, particularly that of leaders at all levels, we should keep abreast of external (from other provinces and overseas) information. It should be noted that economic construction is a dynamic, systematic cause. The development of commodity economy, market expansion, improvement of circulation, etc., are all undergoing continuous change and all

of them have to count on information. It is, therefore, necessary for us to keep abreast of the entire economic situation, to incessantly consider, judge, and devise strategies. Only by so doing can we formulate correct policies, give bold instructions, and achieve the best economic results with the least investment. Meanwhile, through such practice, the cadres' political qualities, ideological standard, and competence can be enhanced, and a batch of spirited cadres who are young, educated, energetic, bold in digging deep and blazing new trails, and who possess specialized knowledge should be appointed to cope with the rapid development of economic construction and to meet the challenge of the new technological revolution.

In sum, if we stick to the principles of seeking truth from facts and of proceeding from practice, we can make Hebei more and more prosperous day after day, make our people lead a better and happier life, and will never disappoint the central government and the people of the province.

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## ECONOMIC MANAGEMENT

### HEBEI GOVERNOR VIEWS ECONOMIC DEVELOPMENT

HK250321 Shijiazhuang Hebei Provincial Service in Mandarin 0430 GMT 17 Sep 84

[Excerpts] From 10 to 16 September, the Hebei Provincial CPC Committee held a meeting of prefectural and city CPC committee secretaries in Shijiazhuang. The main topics were questions of economic work, arrangements for the second stage of party rectification, and ideological work. Provincial CPC Committee Secretary and Governor Zhang Shuguang spoke on the economic situation and on promoting economic work in the last few months of the year. Provincial CPC Committee Secretary Xing Chongzhi gave his views on arrangements for the second stage of party rectification. Provincial CPC Committee First Secretary Gao Yang spoke on reforming ideological education. Provincial CPC Committee Standing Committee member Yang Zejiang spoke on leading the peasants to get rich.

Comrade Zhang Shuguang spoke on four issues in his speech on 10 September:

1. Vigorously develop commodity production to invigorate the rural economy. He pointed out: At present the focal point in rural work is, centered on the four modernizations drive, to take full advantage of our superior features in resources and develop commodity production in light of local conditions. In the last few months of this year we must continue to implement the rural economic policies, further perfect and improve the contract responsibility systems with payment linked to output, open up new production opportunities, vigorously develop the processing trades, build small towns, and develop town and township industries. We should develop communication and transport and step up the construction of small energy facilities.

Comrade Zhang Shuguang said: Hebei has many outlets and broad prospects for developing commodity production. The problem is that our thinking is outdated and our vision narrow. We lack pioneering and creative spirit. When Comrade Hu Yaobang recently inspected our province, he pointed out eight aspects:

- 1) Cultivation. It is not enough just to grow grain; we must also develop industrial crops.
- 2) Stock-raising, for instance, poultry, animals, aquatic products, and so on.
- 3) Mine development. We should give free rein to the masses to exploit all kinds of small mineral bodies.
- 4) Processing trade, including initial and advanced processing of foodstuffs, fodder, cotton, and fruit.
- 5) Transport. We must summon up the greatest determination to develop highway and waterway transport.
- 6) Service trades. We can go in for running hotels, inns, and the tourist trade.
- 7) The construction of small energy facilities. We should organize the masses to raise cash for such undertakings.
- 8) The building trade.

Comrade Zhang Shuguang stressed: These eight undertakings to be carried out simultaneously, as pointed out by Comrade Hu Yaobang, are fully in accord with the province's actual conditions, and point out the orientation for developing commodity production. All areas should provide appropriate guidance in light of the local resources, make breakthroughs at key points, and organize comprehensive development.

2. Speed up industrial reform and strive to improve economic results. He pointed out: Hebei's industrial output has grown relatively fast this year. Light and heavy industry have developed in a coordinated way. The current main problems in industrial production are that reforms are not developing evenly and economic results are not good enough. Production costs of comparative products have risen, and there are stockpiles of some products. This is already affecting the accomplishment of the province's targets for economic results.

In order to solve these problems, in the last few months of this year we must speed up the pace of industrial reforms and adopt effective measures to promote economy in raw materials and fuel in key trades and enterprises. We must strictly practice the rewards and penalties, and further improve economic results. The province should speed up technological transformation and importation, with the focus on the light, textile and chemical industries.

We must continue to carry out enterprise consolidation. The key lies in building the enterprise leadership groups well.

Comrade Zhang Shuguang pointed out: No matter what reform we are carrying out, we must correctly handle the relations between the state, the collective, and the individual, and ensure that the state gets the biggest slice, the enterprise the medium one, and the individual the smallest. We must persistently ensure that the state's interests are put first. Thus production can develop, results improve, and contributions increase year by year. Profit retained by the enterprises must mainly be used in technological transformation and equipment renovation. It must not be all shared out. There must be no big hike in cadre salaries under the pretext of reforming the wage system.

3. Do a good job in finance and trade work and strive for a new breakthrough. He said: This year the province's finance and trade departments have carried out reforms in depth and achieved new changes in all work. However, the pace of reform is not big enough yet. There are not many breakthrough-style reforms. We have not yet fundamentally solved the problem of mutual compatibility between circulation and production development. In the next few months therefore, in finance and trade work we must concentrate on commerce reforms, financial revenue, and procurement of agricultural and sideline products.

On the work of strengthening tax collection, he stressed: The province must vigorously publicize the tax collection policies and teach the cadres and masses to correctly understand and handle the relationship between developing production and paying taxes as required by law. No one is permitted to exceed his jurisdiction by arbitrarily reducing or waiving tax payments. There must be no more contract responsibilities for tax payment; where these already exist, they must be corrected.

4. Strengthen leadership over economic work and explore reforms in reforming the administrative setup. He pointed out: We are now in an age of a high degree of information. We can no longer apply the old work methods of the past in organizing and guiding changes now. We must organize information feedback services. This should be an important task for the general offices of the party and government organs at all levels. Leaders of some units still lack the proper understanding of information work. This problem must be seriously solved.

Comrade Zhang Shuguang pointed out: Whether in the province, the prefectures, cities, or the counties, townships, and villages, in leading economic work it is essential to implement the ideological line of seeking truth from facts and proceeding from reality in everything. We must do our work in a thoroughly sound way. We must take advantage of the local superior features and let the masses get rich as quickly as possible.

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## ECONOMIC MANAGEMENT

### DIFFICULTIES IN CONTROLLING CAPITAL CONSTRUCTION DISCUSSED

Beijing JINGJI LILUN YU JINGJI GUANLI [ECONOMIC THEORY AND BUSINESS MANAGEMENT] in Chinese No 2, 5 Mar 84 pp 32-35

[Article by Li Desui [2621 1795 6654], et al.: "Why Is it so Difficult To Control the Scale of Investment in Capital Construction?"]

[Text] For the past few years, the CPC Central Committee and the State Council have maintained strict control over the scale of nationwide investment in capital construction in accordance with the principle of further economic readjustment and the principles of working according to one's ability, advancing step by step in an orderly manner, stressing practical results and guaranteeing key projects. They have repeatedly issued injunctions, but the results have been rather mediocre. Why has this been the case, and what should be done about it in the future? We will provide our views and opinions on these problems, and we welcome your questions and comments.

#### I. Major Causes

There are many reasons why China's efforts over the past few years to reduce the scale of investment in capital construction have met with little success. There are both subjective and objective reasons. Having undertaken a careful investigation, we have come to believe that these main reasons include the following:

1. Our ideological understanding is insufficient. The principles laid out by the decision of the 3d Plenum of the 11th Party Central Committee to reduce the scale of capital construction, decrease the rate of growth of heavy industrial production and resolutely improve the people's livelihood are completely correct. But due to the influence of a long period of "leftist" errors, many cadres still wish to continue to put their energies into expansion. Concerning the rate of growth in the plan for heavy industrial production, they raise quotas at each level. In order to pursue excessively high rates, they have found it necessary to launch new projects at random. Consequently, the capital construction front has become increasingly dragged out, and the scale of investment in capital construction has become greater and greater, to the point where irrational phenomena such as "old factories being squeezed, while new factories are being built

in batches," "projects outside the realm of the plan going up quickly, while projects within the plan suffer," small projects squeezing large ones out and backwardness squeezing out modernization have occurred.

2. Our management systems are in a state of confusion. China's scale of investment in fixed assets is out of control, and this is directly related to the fact that our current management systems are not good. At present, planning committees manage the capital construction investment plan, while economic committees manage the measures and funds for renovation and upgrading. In a general sense, capital construction and technical measures can be differentiated; however, in actual projects it is sometimes very difficult to differentiate between them, so that a sense of confusion is easily created when we try to separate them for specific projects. In capital construction there are technical measures, and in technical upgrading measures capital construction can be involved. Add to this the fact that the past documents of relevant responsible departments have far too many holes in them, and you have a situation in which nothing is controlled and in which there are significant inconsistencies. For example, those projects that are divided into parts, or in which one person is confused with another or takes his place by assuming his name, or which are jointly constructed by several enterprises, or where one project is dismantled to build two, where stories are added on the spot or sites are shifted to extend construction, or projects built by the local people are subsidized by the state, or projects that use much but report little and are constantly in flux--these projects can all avoid calculating capital construction costs and issuing quotas. However, the statistical departments all calculate figures according to existing regulations, so that as a rule discrepancies are substantial. Consequently, if we only control the scale of capital construction and do not control the technological transformation measures, we will have incomplete control and, moreover, a loss of control. The result will be that capital construction will be discontinued, while renovation measures are initiated. Just as soon as one side is submerged, the other will begin to emerge.

3. Our financial and material resources are too scattered. For the past few years, the state has adhered to the principle of readjustment, gradually expanded the limits of local and enterprise authority and corrected past excessive tendencies toward overcentralization. It has thereby aroused the enthusiasm of many areas and has advanced economic development. These actions have also been completely correct. However, in the course of their implementation there has also appeared the phenomena of excessive decentralization.

Looking at the nation as a whole, in the 4 years from 1979 to 1982, China's gross social output increased 33.6 percent, and although domestic financial revenue decreased 3.3 percent, extra-budgetary investment in all areas increased by 75.2 percent. It is thus clear that the decentralization of funds has already exceeded reasonable limits. At the same time, the state's direct administration of the "three materials" has been decreasing over time, and the proportion of unified state distribution has been decreasing gradually over the years. The proportion of cement

that undergoes unified distribution has fallen from 71 percent in 1965 to 53 percent. Also, there have sometimes been discounts at each level, thus creating serious imbalances in funds and materials.

With respect to the situation in our county of Funing, for the past few years there have also been some reductions in the county's internal financial revenue, but the extrabudgetary funds and income taken in by the county financial departments, administrative units, enterprises owned by the whole people, enterprises collectively owned by the people of the cities and townships and enterprises owned by the rural workteams have gradually increased over the years, so that the money used by society for capital construction has been increasing steadily. According to preliminary statistics, our county used a total of 1,455 metric tons of steel for capital construction in 1982. We used 922 cubic meters of timber, 54 cubic meters of lumber and 7,068 metric tons of cement. We put a great amount of funds and materials into capital construction, and this must have squeezed out the materials that were needed for agriculture, light industry and the people's livelihood.

4. The influence of the price factor. Total investment in capital construction is the total measure of capital construction work expressed in monetary terms. It is composed primarily of three parts: construction and installation work, the value of equipment, instrument and tool purchases and related expenses. Each of these three component parts has a distinct connection to the price factor, and all more or less come under the influence or domination of the law of value.

During the past few years, the price of construction materials has increased again and again, with prices being raised without authorization. The prices of construction materials outside the realm of the plan rose dozens of percentage points and sometimes even doubled the price of materials used for construction included in the plan.

With respect to revenues and expenditures for construction and installation, there were also the phenomena of unauthorized increases in projects, raising of quotas and disguised increases in expenses and revenues. These problems have already been investigated and rectified over the course of the past year. But these price factors are ones that have had a definite impact on the expansion of the scale of investment in capital construction over the past few years. In particular, the impact on housing and other kinds of construction has been relatively great.

## II. A Few Suggestions

Many comrades have already put forth very good ideas regarding the question of how to control the scale of investment in capital construction. Also, the CPC Central Committee, the State Council and the Central Discipline Inspection Commission have adopted a number of important measures. Regarding these, we have to offer the following suggestions:

First, we must thoroughly strengthen our work toward creating a comprehensive balance. On 25 January 1982, when Comrade Chen Yun spoke to a number of responsible cadres of the State Statistical Bureau about the problems involved in strengthening the planned economy, he said: "We must improve the people's livelihood. First of all, we must feed the people, and feed them enough. We do not want them to be eating poorly, nor do we want to overdo it.

Second, we must build. If a country consumes all of its resources, it will be a country without hope for the future. Only if after the people have been fed, the country then has enough surplus strength to engage in construction, can there be hope." Therefore, everyone from the central authorities to the localities, and from the departments to the enterprises, should thoroughly strengthen their work toward creating this overall balance. First, we must guarantee that there be corresponding improvements in the people's livelihood along with increases in production, and, second, we must organize for construction in accordance with our financial and material resource capabilities. Naturally, economic construction is also very important. Without a definite scale of construction we would be unable to guarantee the speedy development of production and, moreover, we would be unable to guarantee a gradual improvement in the people's livelihood. However, if our scale of economic construction exceeds our financial and material resource capabilities, then we will not only be obstructing the improvement of the people's livelihood in the long term but will also be making the plan for economic construction difficult to achieve due to a lack of essential material resources. Using up all of our funds for capital construction will not do the trick. We must also have the corresponding funds for resources, including building materials, machinery and equipment, instruments and tools and raw materials. And if we have the funds and the material resources, we must then proceed in a planned manner in accordance with the appropriate proportional balance, and we must definitely do only what we are capable of doing. If the local areas lack something, then the state should be able to provide it. And if the enterprises lack anything, the local areas should be able to provide it. Only in this way will the state be able to concentrate its financial and material resources in order to guarantee capital construction; the local areas will also thus be able to concentrate their strength in order to wage their battles and gradually solve a number of major problems.

From this day forward we must strengthen our management of the plan for fixed capital investment. We believe that the state planning committees and provincial, municipal and autonomous region planning committees should not only strike an overall balance between capital construction and technological renovation projects undertaken by units under the ownership of the whole people. Moreover, they should research methods of controlling fixed capital investment by collective ownership units or else first set out control objectives for capital construction and technological transformation plans for each unit under collective ownership. Moreover, they should make arrangements to provide corresponding amounts of material resources and equipment. Responsible business departments at all levels within each province should thoroughly change their past faulty practices

of only granting construction funds to certain enterprises and having the local authorities establish quotas and supply materials, but should really give the enterprises their funds and their quotas and materials. They cannot keep "bringing the fish up and letting it back down." They must no longer let the state pressure the localities, higher levels intimidate the lower, or lower levels deceive the higher levels. They must proceed from actual circumstances and operate consistently. While attempting to realize expanded reproduction, the localities and the enterprises should make an effort to switch from the past practice of concentrating on building new things to concentrating on the practice of upgrading equipment and technologically transforming existing enterprises. They must switch from stressing "extension" to stressing "intension" and must develop production in accordance with the existing production orientation and in full accordance with the needs of society.

Second, we must fully implement a responsibility system for leading cadres. In his "Report on the Sixth 5-Year Plan," Premier Zhao Ziyang said that the State Council stipulated that "the overall scale of investment in fixed capital, including credit issued under the state budget, funds raised outside the state budget and bank loans, should all be balanced and incorporated into the state plan by the State Planning Commission and the provincial, municipal and autonomous region planning commissions. No matter which area or department it is, if it exceeds the plan for fixed capital investment, it must first request permission from the higher authorities in accordance with its subordinate relationship; otherwise it will be punished for violating financial and economic discipline." In order to control strictly the scale of investment in capital construction and to guarantee the rational use of construction funds, and to improve investment results, we must establish a leading-cadre responsibility system. At present, the primary responsible persons of a few provinces, municipalities and autonomous regions are already putting forth guarantees one after another to the party Central Committee and the State Council. The primary responsible persons of some localities (municipalities) and counties are also separately putting forth guarantees to some higher organizations. This is a favorable development. But whether or not they live up to their words, we must also look at the results. We believe that the central and local authorities should all carry out serious investigations for a set period of time. We suggest that with respect to the persons responsible for the strict implementation of the investment plan and to plans for improvement, conservation of provincial investment funds and the completion of projects ahead of schedule, we should implement the use of commendations, bonuses and promotions. On the other hand, regarding those responsible personnel who go beyond the plan or make false reports, those whose work is not responsible or those who are involved in serious waste, we must investigate their responsibilities and seriously punish them. If they have violated criminal laws, we should investigate and affix the criminal responsibility in accordance with the law. Moreover, we suggest that we arouse and encourage the cadres and masses everywhere, carry out investigations and expose these responsible persons in all localities, departments and enterprises and prevent the expansion of the scale of investment in capital construction.

Third, we should bring into full play the role of the responsible departments. In order to reduce the scale of capital construction and control technological transformation projects, it is inappropriate to rely exclusively on any single department and also difficult to assign responsibility. We must bring into full play the functional role of each department responsible for the work involved.

When planning commissions at all levels carry out investigations, forward reports and grant approvals for capital construction projects in accordance with regulated limits, they must take their responsibilities seriously and operate in strict accordance with the capital construction schedule. When they apply for approval for technical upgrading measures and projects from the economic commissions, they should also take their responsibility seriously and operate in strict accordance with all regulations. And when the responsible departments are asked to carry out feasibility studies for project applications, they should be analyzed fully, with repeated comparisons, and should be able to choose from the best program. They should thus prevent blind expansion of production capacity and the carrying out of redundant construction. From this day forward, if plans that are set exceed the appropriate scale, the planning commissions must be the first to take the responsibility. With respect to funds and materials, we should not allow gaps to continue to exist but should consider only those arrangements for reserves that we find necessary.

Based on the need to continue to strengthen the management of funds and revenues and expenditures within the budget, the financial departments should quickly move to establish department-, division- and section-level organizations to perfect the management of extrabudgetary funds in order to strengthen further the management of extrabudgetary funds, revenues and expenditures. Only if all types of financial resources are balanced and arranged in a comprehensive manner and are properly guided will we be able to bring into full play the greatest results for all types of funds and advance the coordinated development of the entire people's economy. The financial departments, in conjunction with the banking departments, should be able to carry out investigations into the sources of funds for capital construction and technical upgrading projects and carry out feasibility studies regarding the application of various units.

The banking departments should strengthen their management and supervision of funds. They must implement special account management in accordance with regulations and must, in a timely manner, accept deposits of fixed capital depreciation funds and construction funds of the relevant units, guarantee the earmarking of funds for specified purposes and issue payments in accordance with regulations. They should not allow funds for technological transformation to be used for new construction projects or to cover other expenses. Moreover, they should prohibit the covert use of circulating funds for capital construction. They should have the right to refuse to issue payments for projects that are either not included in the plan or for projects whose level of engineering exceeds that included in the plan.

We should not grant loans to those non-specialized companies or to other units that continue to cooperate to produce lumber. At the same time, we should cease to pay them for their goods. With respect to those materials such as steel, cement and coal, whose continued cooperation has been allowed by the state, we should diligently calculate the sale price of each area of product, and if we discover that prices are being held in excess of those levels authorized by state regulations, the banks must move to check closely into the credit and even close out the accounts of those involved.

While simultaneously striving to unearth all possible sources of materials; while striving for marketability, high quality and appropriate quantities of products by guaranteeing the uninterrupted, timely and complete provision of the means of production to each department of the people's economy; and while advancing the high-speed development of the entire people's economy, the materials departments should strive to do a good job in their work concerning the application, allocation and supply of building materials, machinery and equipment. Under certain conditions they may contract the supply of complete sets of equipment and guarantee the supply of materials for specified projects and accounts, though they must not allow waste. But with respect to project construction that is unauthorized or outside the realm of the state plan, we should not be signing equipment contracts nor should we be providing building materials.

The construction departments bear the important responsibilities of design checks, technology training, organization of construction and quality checks, all of which are most closely related to capital construction. In particular, the number of personnel in a construction unit, the appropriate level of technology to be used and the adequacy of production all bear a direct relationship to the rate of progress of construction projects, the quality of engineering and the completion of projects. In recent years, although there has been progress in construction units, the phenomenon of "low quality, long construction periods, poor results and high wages" is still relatively common, and this has to a certain extent raised our expenditures on capital construction projects. We suggest that in order to resolve these existing problems and to adapt to the needs of the future, the provincial construction bureaus should create a construction engineering school. They should select high school and middle school students from the cities and the countryside and implement a system of work-study for a period of 2 to 3 years. The students should take care of their own living expenses and their smaller tools. The income from their production may be used primarily for their schooling, and a portion of it may also be used for work subsidies. They should, in accordance with necessary proportions and by integrating the desires of the local people, establish specialized units or assign specialized personnel within the classes. Establishing classes as they would work teams, they should make use of workshops to teach classes and should make use of their workplaces to test out what they have learned. After their schooling has been completed, they should be given a certificate for their studies. But these certificates should not include work assignments; they can be selected for employment by the provincial construction engineering corporations and the commune (township) construction stations, or they can be allowed to work on their own. Over an extended period of time, we will

be able to cultivate a large amount of construction talent for society's use and will be creating the necessary conditions for the organization of labor exports.

The statistical departments should do a thoroughly good job in statistical work regarding capital construction investment and investment in modernization measures. Statistics should promptly reflect the phenomenon of the intentional expansion of the scale of construction and the handing down of directives outside of the state plan. The statistical departments should further develop their role of serving and supervising the capital construction plan. Strictly following the relevant regulations laid out by the State Statistical Bureau and the provincial statistical bureaus, they should comprehensively and properly submit to the leadership statistics that accurately reflect existing situations. Moreover, each construction unit should clearly define those personnel who are specially responsible for work on capital construction statistics, and they should work to create the conditions necessary for these personnel to do a good job and thereby guarantee the accurate reporting of statistics to the leadership. They should prohibit false reporting and deceptive reporting, and they should also prohibit tardy reporting and no reporting at all. The responsible persons of each locality, department and unit should enthusiastically support the developing work of the statistical departments and statistical personnel, and, moreover, they should strengthen their supervision and leadership of these departments. If they discover that the statistical departments and statistical personnel have been reporting inaccurate, incomplete or falsified statistics, they should investigate and affix the responsibility to the relevant personnel. They should also permit the statistical departments and statistical personnel to report capital construction statistics directly to the higher authorities and to submit investigative reports reflecting existing problems and special investigative reports. At the same time they should strengthen the results from key projects and key investments and should strengthen their preparation of price indicators and other statistics for the construction industry, expose the phenomenon of waste in construction and give full play to the supervisory role of the statistical departments.

Fourth, we should establish sound and relevant legal systems. We believe that in order to control strictly the scale of fixed capital investment and resolutely correct the phenomenon of waste and other unhealthy trends in capital construction, the state must establish a sound legal system and set of laws. We suggest that the party Central Committee, the State Council, the National People's Congress and relevant responsible departments of the state consider the following problems:

1. Conferring on the financial and banking departments of each area the autonomy to carry out investigations and the veto rights over the fixed capital investment plans of their areas.
2. Levying a 10 percent tax on capital construction, blind construction, redundant construction and limited construction projects undertaken in excess of the municipal and township collective-ownership unit plans, excluding those projects in the fields of energy and transportation.

3. Appropriately raising the rate of taxation on certain relatively profitable industrial products, thereby controlling the direction of investment.
4. Appropriately raising the interest rate on fixed capital loans, thereby helping to control the scale of capital construction.
5. Raising targets for revenue from public housing, while simultaneously considering giving relevant housing subsidies to workers.
6. Promoting widely the commercialization of housing.
7. Promulgating an "investment law," so that there is a body of law that can be relied on and so that violations of the law must be investigated.
8. While assessing the actual amount of work done on capital construction, we should diligently assess the amount of financial expenditure on capital construction, so as to enable the financial and banking departments to carry out proper supervision.
9. We should change from our traditional methods of using gross value of industrial output as our primary indicator. Our primary economic indicators should be the net value of output, rate of return on capital and other economic results.
10. Praising and rewarding the cadres and masses who dare to reflect accurately the serious problems in capital construction and strictly prohibit revenge against them.

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CSO: 4006/563

## ECONOMIC MANAGEMENT

### GANSU LEADERS CALL FOR IMPROVING FINANCIAL WORK

HK200821 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 19 Sep 84

[Text] Not long ago, after listening to the report of the provincial Finance Department on the situation in party rectification, responsible comrades of the provincial CPC committee expressly put forward that in financial work throughout the province, it is necessary to lay stress on the way to make, accumulate, and manage money, centered on the general task put forward by the 12th CPC Congress and on the objective of struggle in the near future put forward by the provincial CPC committee, and it is essential to vigorously raise funds for construction and to endeavor to invigorate Gansu's economy.

The responsible comrades of the provincial CPC committee emphatically said: Through rectification and correction work in party rectification, finance departments must further correct their guiding ideology in work and must specifically embody it in relevant policies and regulations on finance and in their practical work. Finance departments at all levels must attach importance to the application of financial measures to promote the development of production, to make the economy prosperous, and to extensively develop financial resources. The past method of only paying attention to revenue but not to supporting and helping people to develop production is undesirable. At present and for some time in future, we must pay special attention to helping counties to develop their economy and must vigorously support and help the collective economy, township and town enterprises, and the individual economy to develop. Moreover, we must make new achievements in supporting old enterprises to carry out technological transformation and innovation, and to tap potential.

After that, the responsible comrades of the provincial CPC committee pointed out: Finance departments at all levels must vigorously promote the development of all aspects of work and construction and must learn the way to make, accumulate, and manage money and money matters. They must direct social purchase power to properly stimulate the growth of consumption in order to promote the development of production. While making arrangements for financial plans, they must take into consideration not only the income of finance departments but also the financial resources of the whole society, including the financial resources of the central authorities and localities, the financial resources of enterprises and people, and foreign funds which can be utilized.

In conclusion, the responsible comrades of the provincial CPC committee emphatically said: In financial management, it is imperative to adhere to the principle of linking generosity to rigidity. We must be suitably generous to those methods of management which are beneficial to raising efficiency, promoting the development of production, and developing financial resources and must rigidly enforce the regulations which are advantageous to upholding financial and economic discipline and reducing waste. Finance departments at all levels must handle well the relationship between financial services and supervision and proceeding from current realities, must strengthen supervision and do a good job in service so as to effectively raise economic results.

CSO: 4006/34

## ECONOMIC MANAGEMENT

### SU YIRAN SPEECH ON SHANDONG ECONOMIC STRATEGY

SK050225 Jinan DAZHONG RIBAO in Chinese 11 Sep 84 p 2

["Excerpts" of Su Yiran's speech at the first meeting of the provincial committee for the research of economic and social development strategy, entitled: "Strengthen the Research of the Economic and Social Development Strategy"--date not given]

[Text] In order to accelerate our province's four modernization drive, to fully exploit the favorable conditions of the Shandong's economy, to link the province's economic and social development strategy with the national strategy, and to make relatively great contributions to the state, the Shandong Provincial Committee for the Research of the Economic and Social Development Strategy was established in line with the decisions of the provincial CPC committee and the provincial people's government. This research committee is composed of specialists and scholars in all fields; persons in charge of scientific research work at various universities and colleges; responsible persons of various major scientific research organizations; responsible persons of the comprehensive economic departments at the provincial level; and some veteran comrades who have already retreated from the forefront posts, who are still in good health and who are suited to this work. Under the leadership of the provincial CPC committee and the provincial people's government, this research committee will extensively organize and have contacts with the research forces in all fields to probe into the province's economic and social development strategy, and will offer advice in making important decisions and policies. Therefore, it is the "brain trust" of the provincial CPC committee and the provincial people's government in the field of economic and social development.

The major purpose of this meeting is to define the questions for research, and to fulfill the task for research, on the basis of unifying thinking. Today, I want to speak and discuss with you on some questions concerning the research of strategy.

1. Strengthening the Research of the Economic and Social Development Strategy Is a Task Which Brooks No Delay, and Thus We Should Have a High Degree of Consciousness and Urgency

Over the past 35 years since the founding of the PRC, like other provinces in the country, our province has scored great achievements in socialist construction, and fundamental changes have taken place in the province. The 1983 provincial industrial and agricultural output value totaled 66.6 billion yuan, 17.7 times that of 1948; and the national income reached 35.2 billion yuan, 12.8 times that

of 1949. The conditions for agricultural production have been improved, the situation in which "the people have their meals at the mercy of the elements" has changed, and output of grain, cotton, oil-bearing seeds, and many agricultural by-products have been more than self-sufficient, thus making contributions to the state. The 1983 provincial total agricultural output value was 26.7 billion yuan, 5.5 times that of 1949. Industry has developed to a certain scope, with fairly complete categories, output of many industrial products has occupied an important place in the country, and major consumer goods have been self-sufficient in the province. The 1983 industrial output value totaled 40.56 billion yuan, 51 times that of 1949. Along with the development of industrial and agricultural production, a relatively big progress has been made in the domestic and foreign trade, science and education, and various other social undertakings, and some improvements have been made in the material and cultural livelihood of the people in both urban and rural areas. This has been the main trend of our economic construction. However, due to some mistakes by the leadership, we took a roundabout course in economic construction on many occasions, endured many sufferings, and paid a high price. As a result, the province's economic and social development has been delayed and the people's living standards did not improve rapidly. These mistakes mainly resulted from the "leftist" influence. So far as our Shandong is concerned, some problems have been resulted from the lack of an economic and social development strategy which is correct and farsighted and which can reflect the objective reality. Therefore, trying to find out how to make a scientific analysis of the past practices from the strategic angle, and then draw lessons from the past practices in order to enhance our consciousness and avoid blindness in the four modernizations is an important and necessary task for the research of development strategy.

Viewing Shandong's economic development, I think the following several experiences and lessons merit our attention.

1) The development of Shandong's economy should be based on the overall development of agriculture and should be carried out by combining industry with agriculture correctly. This is the basic experience of our province gained over the past 35 years. In our province, peasants amount to 90 percent of the total population. In our national income, 45 percent comes from agriculture, more than 70 percent of our light industrial output value comes from the products made of raw materials provided by agriculture, more than 70 percent of our export volume comes from primary farm products and the finished products with farm products as raw materials, and more than 65 percent of our commodity retail sales comes from rural areas. This proves the important position of agriculture in our province's economy and politics. Experiences have repeatedly proved development of agriculture not only decides the development of industry and the economy as a whole but also provides a guarantee for social stability and development. Meanwhile, support from industry and the correct combination of agriculture, industry, commerce, education, science, and other undertakings are indispensable to the great development and modernization of agriculture. When we review our past, we can see that we attached fairly great importance to the expansion of agricultural production and the establishment of agriculture-oriented industry. For a long period of time, we invested nearly 10 million laborers, more than 1 billion jin of grain, and a considerable amount of funds, rolled steel, and cement in farmland capital construction every year. At the same time, we geared industrial development to the needs of agriculture, and established a group of "five small" agriculture-oriented

industrial enterprises in the order of "hydropower, fertilizer, and machinery" to increase our material forces to support agriculture and improve the conditions for agricultural production. This resulted in a steady grain increase and laid a solid foundation for us to achieve the present levels of agricultural productive forces and rural economy. Major lessons we have gained in this issue are as follows. First, we developed large-scale industry and other undertakings beyond the capacity of agriculture. Especially during the 3-year period of major advance, the province carried out large-scale iron and steel industry and other undertakings successively for 3 years and stirred up "five tendencies" because of its erroneous estimation of the agricultural situation. As a result, instead of being developed, industry and agriculture collapsed. Second, with the guidance of the "leftist" ideology, we failed to draw a clear demarcation line between socialism and capitalism. In agriculture, on the one hand, we blindly pursued "large size and high degree of ownership," improperly exercised high degree of centralized command and the egalitarian way of distribution, and violated the law that production relations should conform to the nature of productive forces. On the other hand, we failed to break through the circle of small-scale production, carried out one-crop farming by "taking grain as the key link," paid attention to grain and not to making money, and, in particular, ignored the overall development of diversified undertakings and commodity production. Therefore, the laws governing agricultural economic development and ecological balance were violated, peasants' enthusiasm dampened, and the development of productive forces impaired. Third, fettered by the idea of expanding heavy industry on a priority basis for a long period of time, we emphasized the heavy industry which provided the means of production to agriculture when we developed agriculture-oriented industry and failed to attach sufficient importance to the processing of farm and sideline products and to the light industry which provided consumer goods for daily use to rural areas. Hence, an imbalance occurred between agriculture and light and heavy industries because agriculture could not supply light industry with more raw materials and light industry could not supply agriculture with more consumer goods. These were the important reasons for slow agricultural and light industrial development, a shortage of supplies in markets, and a failure to establish a benignant cycle in economic activities before the 3d Plenary Session of the 11th CPC Central Committee. Facts have told us that basing our economic development on the overall development of agriculture and taking the road of correctly combining industry with agriculture and other undertakings to coordinate agriculture and light and heavy industries and to enable them to promote each other should be our basic stand in formulating the strategy for our province's current development.

2) In order to develop Shandong's economy, we must smash the idea of small-scale peasant economy and proceed from our province's favorable conditions to vigorously develop commodity production and commodity exchange. Our province's agricultural labor productivity was comparatively low for a long period of time. So there were only a few surplus agricultural products after supplying the rural areas. There were more "small and all-embracing" primary processing industrial enterprises in localities. The production was not highly socialized. Over the past few years since the third plenum, rural areas have carried out the production responsibility system and advocated a diversified economy. The rural areas have switched the stress of agricultural production to commodity production, the division of social labor has been promoted and labor productivity has been raised. The decision-making power of industrial enterprises has been expanded, the readjustment and amalgamation of industrial enterprises have been promoted, and the technology

in production and the level of organizational management among industrial enterprises have been raised. However, we are still seriously occupied with the idea of closing the country to international relations and the small-scale peasant economy idea of production only meeting the needs of the people. Therefore, we have no high awareness of developing the commodity production. We must acknowledge that so far we still do not understand that the commodity production is an essential historical stage of the development of social productivity. In the course of socialist construction, we must vigorously develop commodity production. Only by developing commodity production and production exchange can we smash the backward state of natural economy, the division of social labor be expanded, science and technology be improved, the demands of the people be better satisfied, and the socialist production goal be realized. Therefore, we should proceed from our favorable conditions not to engage in "large and all-embracing" and "small and all-embracing" production but to center on developing commodity production. In line with the law of economic movement, we should vigorously organize specialized cooperation, develop several key cities and build several economic zones that link urban areas with rural areas and have individual characteristics. Through internal and external commodity exchange, we will be able to make up what we lack and send our surplus commodities to other areas so as to comprehensively make even distributions to the province. Through market competition, the production and the entire economic level will be improved. This should be a key idea of our province's current stage of development strategy.

3) The economic development must be based on self-reliance. We should develop large, medium-sized and small projects while centering on medium-sized and small projects, run more collective enterprises and pay attention to labor accumulation. Experiences proved that building a large group of large key projects is of great significance to strengthen the local economy. We must put it into our strategic plan and make efforts to gain the approval of the state. But, if we stubbornly wait and rely on the state to run large projects, we will often miss the chance to develop local economy. In order to have the initiative power to develop the local economy, we should only implement the principle of self-reliance and rely on our own strength to develop more medium-sized and small projects and collective economy. The "five-small" and collective enterprises that had been run by our province in the past have outstanding advantages. These enterprises have strong adaptability and are easy to develop and use the local resources and to arrange the social labor force. Because these enterprises are small in scale, it is easy for them to change their production orientation, to make good management and operation and to achieve a balance of supply, production, and marketing. They can arrange processing projects for the large enterprises, produce subsidiary products for, and serve the large enterprises. The masses can be widely aroused to run these enterprises, the problems concerning funds are easy to solve, the labor accumulation can be fully utilized, and we will be able to achieve fast results with little investment. At present, of over 19,000 industrial enterprises in the province, 98 percent are small enterprises and 80 percent are collective enterprises. They occupy a decisive position in the development of national economy. Our province's agricultural capital construction relies mainly on labor accumulation, and should be run by the people and subsidized by the state. At present, the province's agricultural fixed assets are over 20 billion yuan and about two-thirds of them are investments by the masses. The major lessons drawn from this aspect are: We have lacked understanding of the necessity to let varied economic forms and diversified managerial methods exist simultaneously under the current national conditions. Affected

by "leftist" ideas, we have paid attention to the state economy to the neglect of the collective economy, resulting in a slow development of the urban and rural collective economy. In particular, we have failed to grasp the town- and township-run enterprises. In a word, we have hankered after "promotion and transition," thus hampering the growth of the economy as a whole. Major, ordinary, large, medium-sized and small enterprises have failed to cooperate with one another. The collective enterprises and town- and township-run enterprises have developed slowly. The technology of small enterprises has been backward for a long time. All these are the major reasons why we have been unable to catch up with Jiangsu Province in the past few years. Positive and negative experiences have shown that our province's basic principle for economic and social development should be: Combine large enterprises with medium- and small-sized enterprises; expand the scope of those enterprises which are suitable for expansion; reduce the scope of those enterprises which are suitable for reduction; place emphasis on medium- and small-sized enterprises; and depend on the masses, the local forces, and our own efforts to develop production and construction in the fields where we can gain the initiative.

4) In developing the economy, we must be brave in destroying the old and making innovations, conduct reforms continually, and depend both on policy and science. Since the 3d Plenary Session of the 11th CPC Central Committee, we have gradually emancipated our minds and conducted many reforms, the reform of rural system and policies in particular, thus mobilizing enthusiasm in all fields and promoting economic development. However, owing to the failure to eliminate thoroughly "leftist" influence and break with outmoded conventions, we have lacked courage, hesitated and taken a wait-and-see attitude in carrying out reforms, and have failed to create a new situation in urban reform, industrial reform, and reform in the sphere of circulation. Over the past few years, we have done a good job in the work of depending on policy and science to develop agriculture, thus solving many problems that went unsolved for many years. The current situation shows that we should work this way not only in developing agriculture, but also in developing industry and other economic undertakings. Depending on both policy and science should be the guiding principle for all economic work, as well as the only way of depending on the masses to develop the four modernizations. Experience proves that good and scientific systems and policies are the source of strength [word indistinct] every positive factor into play which can produce not only spiritual strength but also tremendous material strength. While hearing my report, Premier Zhao said: I cannot give you money if you ask for it from the central authorities, but I can give you policies if you want. This has given us a good deal of enlightenment, that is, we should find our way out in policies. Science and technology are the productive force. In the past, we lacked understanding of them. Therefore, we have paid insufficient attention to scientific research, popularization and application of new technologies, technological transformation of old enterprises, intellectual development, social education, and the training of workers and staff members. At the same time, we have paid no attention to knowledge and intellectuals, and failed to solve the problems concerning recruiting intellectuals into the party and promoting them, and the problems in their work and livelihood. We have also failed to improve economic management and enterprise operation, and our basic work has always been weak. Because we have failed to train a large number of professionals who have revolutionary awareness, are well-educated, have a good grasp of technologies, are skillful in management, and are suitable for the four modernizations, our province's economic and enterprise management level cannot be raised rapidly,

and we have met with many difficulties in meeting the four requirements for cadres. In depending on policies, we should be brave in reform. In depending on science, we should attach importance to intellectual development and education and respect knowledge and intellectuals. These should be the basic measures for mapping out and implementing our province's development strategy.

5) Economic construction should be carried out by taking the overall situation into consideration, by correctly handling the relationship between immediate and long-term interests, between the partial and the whole situation, and between the microeconomy and the macroeconomy, and in an orderly, coherent, and systematic manner. Socialist construction is large-scale complicated systems engineering. Overall efficiency can be achieved only when we respect its overall characteristics and the law governing its development, and pay attention to the connection of its one factor, one link and one stage with others. We have not gained a series of complete experiences in handling the relations of various fields in the course of the four modernizations drive in line with the purpose of "building characteristically Chinese socialism" as set forth by the central authorities. In the past, we often emphasized immediate interests, speed, production, and capital construction to the neglect of long-term interests, results, scientific research, and technical transformation, and were overanxious for [word indistinct] when we did our work, hence, more haste, less speed. Comrades in charge of economic work used to pay attention to one enterprise or one product at a time, neglected to investigate and make policy decisions by considering the overall situation of social and economic development, and lacked an earnest and systematic study with a macroeconomic point of view of the relations between agriculture and light and heavy industries; of the structures of trades, enterprises, and products; of production, distribution, circulation and consumption; of the relationship between economic construction and scientific, educational, and cultural construction; and of the relationship between environment and population. As a result, imbalances and dislocation inevitably appeared here and there. Therefore, intensifying the study of the macroeconomy to correctly handle the relations between various fields with an overall viewpoint, and coordinating economic, technological, and social development to achieve unity in efficiency speed, and reserve strength and unity in economic, social, and environmental results is the principle we should abide by when studying the strategy for our province's development and giving guidance to economic development.

6) In guiding economic work, we should proceed from reality, respect the objective reality of imbalances, and avoid "rushing headlong into mass action," and "uniformity." As our territory is fairly vast, natural environments and material resources are different from place to place in our province, and economic and technological conditions also vary greatly. We should make specific analyses according to specific conditions and give different guidance to work according to local situations. If we "rush headlong into mass action" without considering the necessary conditions, or if we seek "uniformity" indiscriminately, we are bound to be punished by the objective law. Our lessons in this aspect were very profound. From now on, we should conscientiously improve our leadership style, conduct thorough investigations and research frequently, and strive to have an accurate understanding of the actual situation so that we can uphold the ideological line of seeking truth from facts, proceeding from reality in doing everything, and integrating theory with practice and the scientific method of giving leadership to both "specific and general" work. We should draw lessons from history and implement the dialectical materialist theory of knowledge and leadership method in economic work and in the study of the strategy for our development.

Comrades! Our tasks are arduous and time is pressing in order to fulfill the grand objective by the end of this century as set forth at the 12th National Party Congress and in the strategic plans set forth at the fourth provincial party congress. We cannot afford any great detours. Particularly, to prefulfill the target of a one-fold increase by 1990 is a still urgent task. Furthermore, the new technological revolution is rapidly developing all over the world. It is at once a rigid challenge and a good opportunity. The whole country is now at the key juncture of great development of the economy and rapid changes in new technologies. The work of many provinces and municipalities has surpassed ours. In such a situation with hundreds of contenders, we should feel the crisis and never be blindly complacent or stick to old ways, otherwise we will adversely affect our major work. The provincial CPC committee has issued the call to "emancipate the mind, have the courage to reform, prefulfill the target of a one-fold increase, and make the people and Shandong Province prosper." The responsibility of this committee is to conduct successful strategic study of provincial economic and social development so as to unify our thinking, goals, and action, and mobilize the cadres and the masses throughout the province to accelerate the four modernizations.

## 2. Studying a Strategy for Economic and Social Development, We Should Proceed From Reality and Consider Giving Full Play to Advantages as the Strategic Emphasis

Studying a strategy for economic and social development, we should correctly understand the objective law of economic and social development, including economic and natural laws. This requires us to exert efforts in a down-to-earth manner. I think we must, first, clearly understand situations in three aspects--the historical experiences and lessons, the practical situation, and the future prediction. After that, we must find a developmental strategy that conforms with the objective law and the province's characteristics through comprehensively studying the above three aspects of situations.

I have summarized our province's major experiences and lessons in economic construction over the past 30 years and more. The following is a rough analysis of our province's practical situation, the favorable conditions and advantages in particular, and the prediction of future development.

### 1) What are the major objective advantages of Shandong Province?

It has fairly favorable natural conditions, rich underground resources, long coastline, and extensive coastal waters. Huanghe is one of our province's largest water resources. Our province is well situated with good transportation facilities, rich manpower resources, large domestic markets, and great tourist potential. Compared with fraternal provinces and cities, our objective conditions are favorable. Our energy, mining, and biological resources, in particular, are plentiful. We also have rich raw materials for a good consumer industry. These are favorable conditions for developing industry and agriculture. We should fully use these favorable conditions and make greater contributions to making China and Shandong Province prosperous and the people rich.

### 2) What status does Shandong Province occupy in the national economic development?

Through more than [word indistinct] years of hard work, our province has established a fairly good material and technological foundation for economic and social

development. Our total industrial and agricultural output value and the output of some major industrial and agricultural products have occupied an important place in the country. Judging from the circulation sphere, Shandong Province itself is a big market. Judging from its production and consumption, Shandong's economic development has greatly affected the whole country. Shandong Province must shoulder great responsibility in order to realize the grand objective of the four modernizations by the end of the century as put forward by the 12th CPC Congress. We should clearly understand this point.

3) What kind of major economic advantages may our province have by the end of this century?

Predicting on the basis of various trends of development, if we do a good job in our future work, we may have the following economic advantages by the end of this century:

First, we may develop Shandong Province and turn it into one of China's important agricultural bases. At present, our province's planting industry occupies a favorable position in the country. In the future, while gradually realizing "two transformations," we should continue to improve fieldcrop strains and raise per-unit area yield in order to meet social needs. We still have great potential for developing the planting industry. We also have many favorable conditions for developing the breeding industry. For example, we have abundant animal feed resources, and our animal feed processing industry and scientific livestock breeding are just in the initial stage; nearly 10 million mu of waste beach in the Huang He Delta have not yet been developed, and they may be turned into an integrated agricultural and animal husbandry base; inland waters, coastal puddles and ponds, shallow seas and beaches, as well as coastal waters have not yet been rationally developed and utilized; and the development of aquaculture may turn our province into one of China's important marine product breeding and harvesting bases. With the development of planting and breeding industries, there is ample scope for boosting sideline occupations and township enterprises in the rural areas which will promote an overall development in agriculture and diversified undertakings, continue to raise the marketable rate of farm products, and provide more farm and processing products for the state.

Second, turn Shandong into a multi-purpose energy base. Our province has outstanding advantages in petroleum. Inspired by the goal put forward by Comrade Hu Yaobang to build Shengli oilfield into the second Daqing on the 40th anniversary of the founding of the PRC, Shengli oilfield has made great breakthroughs in oil prospecting and extraction. The areas of Zhongyuan oilfield within the boundaries of Shandong Province have rich resources of oil and gas, especially natural gas, and have great prospects. While accelerating the development of local collieries, we should make efforts to rapidly mine the large collieries with rich reserves and favorable conditions, so as to prefulfill the goal to double production within 20 years. By using oil and coal and diverting Chang Jiang water from the south and developing Huanghe water, it is possible to accelerate the development of the power industry.

Third, turn Shandong into one of the key chemical industrial bases in the country. With rich resources in petroleum, natural gas, coal, salt, and inorganic mining products, we have favorable conditions for developing the chemical industry. A

foundation for further developing our province's chemical industry will be laid with the completion of the construction of a 300,000-metric-ton ethylene project and its subsidiary projects, and a project for the on-the-spot treatment of high sulphate oil in Shengli oilfield, the increase in the output of natural gas in Shengli oilfield, the gradual use of the oil and gas resources of the Zhongyuan oilfield in the southwestern parts of Shandong Province, and the completion of the construction of such key projects as a 600,000-metric ton soda ash plant, a 150,000-metric ton nitrophosphate fertilizer plant, and a 300-metric ton pyrethrin plant. And we have great potentials in developing a fine chemical industry, marine chemical industry and coal chemical industry.

Fourth, turn Shandong into a key base for external trade and tourism.

Fifth, if we can raise the technological level of our consumer goods industry, we will be able to turn Shandong into a key base for the consumer goods industry in the whole country.

Sixth, turn Shandong into a key base for the building material industry and the building industry. Our province has rich resources in building materials. Along with development of the four modernizations, the building material industry and the building industry will be one of the important mainstays in developing our province's economy.

### 3. We Should Attend to Priorities in Strategic Study and Gradually Conduct Strategic Study in a Comprehensive Way

1) We should study our province's general strategic goal, the strategic goals in other principal fields, and the strategic guiding ideology to realize strategic goals. Shandong's development strategy is a component part of the whole nation's development strategy. We should submit to [word indistinct] the whole nation's strategic goals and proceed from Shandong's actual conditions in defining our strategic goals. We should never indiscriminately copy others' strategies. Only when we have our clear goals and correct strategic guiding ideology can we organically link our province's development with the development of the whole nation. Our general goals are to quadruple our annual industrial and agricultural output value by the year 2000 on the premise of ceaselessly raising economic results, and to stand in the forefront of the whole country in economic results, development speed, technological level, and the level of the people's livelihood. In order to realize the general goal, we should have a series of concrete goals. We should never use the quadrupling goal as a substitute for goals in each field. After defining the strategic goal, we should hold scientific appraisals and put forward the strategic ideology to realize these goals. For instance, we should take advantage of favorable conditions and avoid weakness, carry into play our advantages, and firmly concentrate on developing several key projects in the next 10 or 20 years in line with the demands of organizing modern large-scale production and developing commodity production. And in the next 10 or 20 years, all trades and professions should rely on their existing achievements, conduct technological transformation and specialized reorganization to expand the capacity in production, really apply new science and technology, pioneer new fields of production technology, tap the internal potentials of enterprises, raise labor productivity, raise the quality of enterprises, pay attention to intellectual development, and persistently rely on technological progress to develop the economy. We should also foster a strong sense of time, combine long-term with

short-term plans, and, within the next 6 to 7 years of moving the economy forward, seize time and quickly develop a group of competitive products, which can yield instant benefit in occupying domestic and foreign markets when we are getting economic relations into order and ensuring key state projects. On this basis, we should establish in a planned and step-by-step manner several industrial and agricultural production bases and economic zones with their own characteristics. In addition, we should give full play to the role of the opened coastal cities as "windows," facilitate cooperation at home, and enter markets abroad to promote the economy of the province as a whole. We should also pay attention to the spiritual and material civilizations, and so forth. We should replenish and improve these guiding ideologies through earnest study so that we can avoid or make fewer detours when we give guidance to the fulfillment of the strategic objective.

2) We should study the reforms in various fields and further emancipate and develop productive forces. We should study how to turn enterprises into truly independent economic entities which have greater energy and impetus through simplification of administration and delegation of power to lower levels; how to solve the problem of enterprises eating from the same big state pot and, then, the problem of staff members and workers eating from the same big pot of enterprises, and overcome the egalitarian way of distribution through the second stage of the reform to replace profit delivery with tax payment; how to enable central cities to perform their functions in organizing the economy; how to separate government functions from business management so that state organs can more effectively play their leading role in implementing principles, policies, and plans and make arrangements for and coordinate the macroeconomy; how to reform the circulation system to enliven the economy, promote production, and guide consumption; how to reform the management system of scientific research institutes and the educational system and make them more conducive to intellectual development; and so forth. At present, we should quicken the tempo of reform. Plans for reforms in various fields should be an important part of the strategy for the province's development and important strategic measures for ensuring the fulfillment of the strategic objective.

3) We should study the technical transformation of various departments to raise the level of productive forces. Judging from a strategic viewpoint, the goal of technical transformation is the technology which is popular in the world in the early 1980's, and the method is to work out different plans for different trades and foster examples. We will have paths for successes if we can make some large, medium and small enterprises in all trades examples in technical transformation in the next 3 years or more and, at the same time, import technologies. Technical transformation should be studied in combination with measures to deal with the new technological revolution. On the one hand, we should explore the possibility for some trades or spheres to skip over certain stages of traditional industrial development and apply some of the latest or fairly advanced energy-, raw material- and fund-saving technical findings to improve our technical level fairly quickly. On the other hand, we should adopt correct policies for technologies of different levels in line with Shandong's situation, establish a technological structure suitable for our own situation, and emphasize the energetic assimilation and popularization of the modern practical technologies already popular in developed countries. We must not divorce ourselves from reality to seek the latest technologies indiscriminately.

4) We should study the priorities of our province's economic development in this century, and make progress step by step. The priorities of our province's economic development can be studied on two administrative levels: First, what should Shandong Province do for the state? What key projects can be developed in Shandong? What duty should we shoulder for the state? Second, how does the province's local economy meet the state's requirements? What should be stressed in developing the local economy? The national strategic priorities of agriculture, energy and communications, and education and science are naturally our priorities. Under the unified national arrangements, all these priorities should be brought into line with the province's development strategy, and measures should be adopted to implement these priorities. In developing the local economy, we should study how to exploit our advantages in line with the province's situation, and how to grasp the major points to promote the development of the economy as a whole.

5) We should study the measures for dealing with the bottlenecks hampering the province's economic development, and overcome weak links. In studying and defining our province's developmental strategy, we should pay equal attention to exploiting our advantages and adopting proper measures for dealing with our weak links. For instance, our province has a great population but limited territory, and each person has only 1.5 mu of cultivated plot on average. Under the current economic conditions, we are greatly dependent on the land for the supply of daily necessities to the people. With limited land, we should be very careful in calculating and utilizing the land. We should also make rational utilization of land and protect soil fertility, and should not be negligent to the slightest degree in this regard. Second, energy, steel, and other raw materials are in short supply in our province, and thus we cannot give full play to the already existing productive force. In this regard, in addition to asking for state support, we should accelerate coal mining; vigorously develop local coal production; tap new energy resources such as marsh gas, solar energy, wind energy, and nuclear energy; and actively popularize various energy-saving technologies. Third, our province's fresh water resources are relatively deficient, and the potential for broadening sources of income is limited. To solve these problems, we should accelerate the fulfillment of the State Council's decision on diverting Huang He water to support Qingdao on the one hand so as to increase the water sources of the eastern province which suffer from the water shortages. On the other hand, we should stress the economizing of water and the rational consumption of water in all fields of the province, and try to find ways to reduce usage. Fourth, our province's financial resources and construction funds are deficient. Fifth, the levels of science, technology, and economic management are relatively low, and people with professional skills are relatively few. We should conscientiously study all these weak links one by one, find ways to overcome them, and embody the countermeasures in the development strategy.

6) We should study the development of science and education, and strengthen the development of intellectual resources. In studying and formulating the developmental strategy, we have to implement the principle of economic construction depending on science and technology, and science and technology serving economic construction: define new measures suitable to the province's conditions in technological research; rapidly establish a scientific research system suitable for the economic development; improve the scientific and technological information organizations and the organization for transmitting various kinds of information;

and strengthen the popularization and application of scientific research achievements. In developing science and technology, professional personnel are needed and the key lies in education. Increasing investment in intellectual development and accelerating the development of educational undertakings in order to train more talented personnel and rapidly training talented personnel are the basic program of the developmental strategy. In rapidly developing educational undertakings, there are many strategic questions needing study. In developing education, we must have our eyes on the future, regard education as big systems engineering, and find proper methods for achieving greater, faster, better, and more economic results.

7) We should study the issue of further opening to the outside world to enliven the economy. We should overcome various conservative ideas, break away from the closed economic pattern, and study ways to make the best of favorable international and provincial conditions. We should open to the outside world more quickly and make significant progress in foreign trade, importation of foreign funds, utilization of foreign advanced technologies, management experiences, and specialized personnel. We should make the best use of our resources so that more of our products (including farm, mineral, and processed products) can be exported. We should step up efforts to study and work out feasible plans for opening Qingdao and Yantai cities to the outside world, and should also study the issue of developing Dongying city and Shijiu harbor with foreign funds.

8) We should study ways of making, accumulating, and using money and solve the problem of construction funds. One of the serious problems we face is a shortage of funds. We must have a certain financial capacity in order to fulfill the provincial strategic objective by the end of this century. For example, we should mobilize positive factors from all quarters for collecting funds by properly collecting the above-budget funds from all sources; absorbing the scattered idle funds of the masses, such as the accumulation funds of township enterprises and the savings of specialized households; using the funds from local treasury or bank loans and paying discounted interest; using foreign funds; and so forth. In addition, we should solve the problem by invigorating circulation and accelerating the turnover of funds.

9) We should study ways to strengthen political and ideological work and improve party leadership over economic work and other undertakings.

10) Leading organs at and above the county level and all trades and professions should embark on the study of the strategy for economic and social development with the aim of making the people and Shandong Province prosperous.

#### 4. We Should Step Up Efforts to Create A New Situation in Our Province's Strategic Study

Conditions have ripened for us to embark on a comprehensive study of the strategy for economic and social development. We should seize the opportunity and swing into action. First, we should sum up experiences and lessons and use them to increase the people's sense of urgency and their awareness in conducting strategic study. Second, we should assign study tasks in line with the subjects for strategic study this meeting has defined. After this meeting, all leading units should

discuss immediately with pertinent departments their plans for study, and organize and coordinate with other units concerned to begin this work. Third, study of the strategy for economic and social development is a kind of study which requires the combination of natural sciences and social sciences and which should be conducted by adopting compatible work methods; fully utilizing the forces of various scientific research institutes, colleges, and universities; and absorbing and pooling wisdom and creative ideas from all sources. Fourth, we should resolutely assign comrades who understand the whole situation and possess certain economic and technological knowledge, practical work experiences, and organizing ability to make arrangements for and coordinate the study of the strategy for development and to make appraisals of major subjects.

The convocation of this meeting signifies a new stage in our province's strategic study. We should never fall short of the expectations of the provincial CPC committee and government and the people of the province, and should organize all study forces in order to open up a new situation in the province's strategic study.

CSO: 4006/34

## ECONOMIC MANAGEMENT

### HUBEI STANDING COMMITTEE ON ECONOMIC REFORM

HK020936 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 30 Sep 84

[Text] From early August to early September, the provincial CPC Committee Standing Committee acted in accordance with the plan of carrying out rectification and correction in a concentrated way. It organized 10 investigation teams in various localities for checking reform and the situation of economic work. It also helped various localities to rectify the guiding ideology in professional work, to speed up the pace of reform, and to settle a number of problems on-the-spot.

After the investigation ended, the provincial CPC committee held a Standing Committee meeting to seriously listen to the reports of these teams. It also discussed problems concerning further promoting the economic structural reform. The meeting issued a summary yesterday entitled: Suggestions on Further Developing Urban Reform and the Good Situation in Economic Work.

The summary said: The province's urban reform has entered the comprehensive stage with promise. We have just begun, but must seriously study and understand again the spirit of central instructions and constantly carry out an in-depth investigation. On the basis of this, we should guide our work carefully and advance a good situation in urban reform. In connection with the situation reflected in the investigation, the provincial CPC committee holds that at present we must settle the following 12 problems in a better way:

First, we must seriously study the central documents, heighten our ideological and theoretical levels, further eliminate the leftist influence, and rectify the guiding ideology in professional work. The CPC Central Committee has recently announced that the 3d Plenary Session of the 12th CPC Central Committee will be held for making important decisions on economic structural reform. This requires us to sum up our own experience and to seriously study and understand the spirit of the 3d Plenary Session of the 12th CPC Central Committee. All units directly under the provincial authorities must, on the basis of heightening their theoretical understanding, further study ways for settling the new problems that have emerged in actual practice by integrating their understanding with their work. They must break through the difficult points, push forward the overall situation, and implement various specific measures that support the urban reform.

Second, we must resolutely carry out the practice of streamlining the administration and decentralizing the decisionmaking power, so as to invigorate the enterprises. At present, we must first speed up the pace of decentralizing the power of enterprises under the provincial authorities. In addition, we must entrust a higher degree of independence to large enterprises.

Third, industry, agriculture, and commerce must resolutely improve their operation style, keep the circulation channels clear, and increase their competitiveness. At present, China's planning structure is undergoing reform. In accordance with the principle of regarding the planned economy as the principal aspect and market readjustment as the secondary, we must carry out instructive planning for most products, except for some important products which are of vital importance to the nation's economy and the people's livelihood, and which are produced under mandatory planning. In addition, when making the instructive plans, we must voluntarily act in accordance with and apply the law of value. As for market readjustment, which plays a secondary role, we must further expand its area. In order to conform to this situation, industry, including communications, agriculture, and commerce, must resolutely improve its operation style, keep the circulation channels clear, and increase the competitiveness of their products on the market. As for industry, the present outstanding problem is adoption of a flexible policy and tough measures to earlier end the situation where the province's production of light and textile industries is in a state of recession. As for agriculture, in the wake of the change of agricultural production to large-scale commodity production, problems regarding operation are imminent. As for commerce, it has already faced a serious challenge of diversifying operations. The state-run commercial sector and the supply and marketing cooperatives must, amid competition, fulfill their circulatory role in a better way and with a new face. All commercial enterprises must establish and perfect as soon as possible the contracted operational responsibility system within the enterprises.

Fourth, we must study and solve the province's weak point of not having effective results in the work of opening to the outside world and importing foreign investment. We must strive to expand the export trade and to earn more through foreign exchange. As for utilizing foreign capital and importing technology, we must adopt effective and positive measures, so as to further develop the good situation to which all circles attach great importance and under which all trades are thriving, and so as to create a diversified system.

Fifth, we must promote the urban economic reform in a comprehensive way by drawing experience gained at key points. The economic structure is an organic whole. Any partial or unidirectional reform does not conform to the requirements of the development of the situation. The comprehensive economic reform in urban areas is certainly to be carried out; hence, we should further do well in the work of key points so as to promote the work in a comprehensive way and advance a comprehensive reform in the province's urban economic structure.

Sixth, we must reform the scientific research system and speed up the pace of scientific and technological advancement. We must treat as the major points of scientific and technological advancement the technical transformation of the present industrial enterprises, as well as the heightening of the scientific and technological level of the rural specialized households. In order to speed up the pace of scientific and technological advancement, we must carry out the principle of walking on two legs; that is, both urban and rural areas must advance at the same time. We must also have both official and private sectors progress at the same time. Both the urban and rural areas must greatly strengthen their scientific and technological work. They must particularly end the situation of neglecting work in the rural areas.

Seventh, we must adopt a relaxed attitude toward town and township enterprises' development, particularly those run by peasant households and those jointly run by enterprises. The province is weak in agriculture, but the town and township enterprises are the weakest point, which is widely known. Since the beginning of this year, various localities have been energetic in developing town and township enterprises, and have achieved remarkable results. However, we still have not put an end to the situation of this being the weakest point of the province. To develop town and township enterprises in a comprehensive way is a major focus of the modernizations in China and bears important strategic significance. Party and government leaders at various levels must exert more effort on strengthening their leadership, so that the town and township enterprises will be developed quicker and in a better way.

Eighth, we must actively speed up the construction in mountainous areas in a planned way and with a focal point. Last year the provincial party congress decided to regard the construction in mountainous areas as an important strategic measure. Since then the province has adopted some measures to help the construction in mountainous areas. The provincial CPC committee has decided to list E'xi region as the focal point of the province in this respect. In addition, the committee has formulated six specific measures: The provincial CPC committee urges all departments concerned directly under the provincial authorities to help the region engage, in a down-to-earth manner, in several construction items that can bring visible economic results.

Ninth, we must correctly treat the large specialized households. In the wake of the development of commodity production in the rural areas, the development of the province's large specialized households engaged in various trades is flourishing. In particular, the development of such trades as transportation, distribution, mining, construction materials, and processing is rather rapid. The provincial CPC committee holds that we must affirm and support the development of large specialized households. We must resolutely protect their legitimate rights and let them play an exemplary role. At the same time, we must lead them to implement the policies, as well as in delivery of taxes and operation of their business according to law. As for some new circumstances that have emerged in the course of development, we must closely study these instead of handling them in a hasty way.

Tenth, we must uphold the practice of grasping both civilizations. As for some effective practices, such as the drive of the five stresses, four beauties, and three loves; the campaign of building civilized villages, civilized streets, and civilized units; the campaign of jointly building by the army and the people; the activity of leading the whole household by militia and soldiers in active service and leading the whole village by the platoon; the activity of studying in order to invigorate China; and so on, we must sum up our experiences and greatly popularize them. At the same time, we must speed up the pace of the development of culture and education. We must particularly pay attention to the development of culture and education in the rural areas. As for radio and television broadcasts, we must settle problems in the broadcasting coverage as soon as possible.

Eleventh, party and government organizations must further carry out structural reform as well as improve their workstyle. Party and government organizations at various levels must conform to the situation of economic structural reform. In accordance with the principles of separating government administration from enterprise management and streamlining the administration and decentralizing decisionmaking power, we must further do well in the work of structural reform in party and government organizations. All department concerned directly under the provincial authorities should, after decentralizing the power of the enterprises, concentrate their efforts on investigation and macromanagement. They should carry out the function of leading and organizing the economic construction.

Twelfth, under the good situation, we must remain sober-minded. The concentrated rectification and correction work at the previous stage focused on rectifying the guiding ideology in professional work and the economic reform. We have already had a good start in this respect. However, this is still an initial success. The provincial CPC committee hopes that CPC committees and governments at all levels take the whole situation into account and plan accordingly, fully understand the situation of the rapid development, seriously study the new situation and new problems, and practically lead in-depth development in both the rectification and correction work and economic work.

Listeners, the above is an excerpt of the provincial CPC committee's suggestions on further developing urban reform and the good situation in economic work.

CSO: 4006/34

## ECONOMIC MANAGEMENT

### SICHUAN VICE GOVERNOR ADDRESSES TELEPHONE CONFERENCE

HK110638 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 9 Oct 84

[Text] According to a SICHUAN RIBAO report, last night [9 October] the provincial government held a provincial telephone conference on economic and technological cooperation and mutual aid between similar units to relay and implement the spirit of the national conference held in Tianjin in mid-September. The meeting urged our province to open up a new situation in economic and technological cooperation as quickly as possible. In his speech Vice Governor Jiang Minkuan said: The CPC Central Committee and the State Council attaches great importance to the Tianjin conference. A number of central leading comrades attended the meeting and delivered important speeches. The meeting called for promoting economic and technological cooperation and mutual aid between similar units with the spirit of reform and creating a new situation in economic and technological cooperation.

During the telephone conference, Vice Governor Jiang summed up the achievements and the present situation in economic and technological cooperation in our province and set forth his views on arranging future work. He called on all localities to conscientiously study and implement the spirit of the speeches of the central leading comrades at the Tianjin conference, to do a good job of economic and technological cooperation and mutual aid between similar units next year, to closely integrate vertical with horizontal economic plans, to base themselves on their own superiorities, to stress the main points, and to pay close attention to social economic results. They should continue to pay close attention to the implementation of agreements on cooperation projects, expand their achievements, and organize a small number of capable people to be in charge of the work in order to strengthen organizational leadership and to do a good job of coordinating and servicing.

Jiang Minkuan also said: With regard to economic and technological cooperation, the leaders at all levels should further emancipate their minds, relax policies, transfer power to lower levels, break the boundaries of different localities and trades, vigorously support the lower levels in carrying out various forms of cooperation and combination, and speed up the process of making the people rich and boosting production in our province.

The telephone conference was presided over by (Weng Xipu), director of the provincial cooperation office. More than 190 people participated in the meeting, including the relevant responsible comrades of various departments and organs directly under the provincial authorities, the comrades in charge of the work in various prefectures, cities, and autonomous prefectures; and the responsible comrades of the provincial planning, economic, and nationalities committees, the finance and trade office, and the material supply bureau.

## ECONOMIC MANAGEMENT

### REGULATIONS ON MANAGING SMALL YUNNAN ENTERPRISES ISSUED

HK120709 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 10 Oct 84

[Excerpt] According to YUNNAN RIBAO, following the promulgation this year by the provincial people's government of a circular on expanding decisionmaking power in the management of small state industrial and commercial enterprises, various localities have put forward, in the course of implementation, many questions which require further clarification. Therefore, the provincial people's government has recently further promulgated some policies and regulations on managing small state industrial and commercial enterprises.

The regulations clearly state the standard for classification: In accordance with the enterprises' final accounts for the previous year, any industrial enterprises whose fixed assets are below 3 million yuan and whose annual profits are below 300,000 yuan; as well as any Kunming commercial enterprise whose annual profits are below 150,000 yuan, and other town and township enterprises whose annual profits are below 80,000 yuan, are all listed as small enterprises. Also listed as such are small prefectural and county coal mines which are profitable, small nitrogen fertilizer factories whose output volume is below 7,000 tons, cement factories of the four nationality autonomous prefectures on the border, and enterprises dealing in trading, commerce, and retail business. Classification will remain unchanged for 7 years once the enterprises have been classified. After being classified, upon approval from the higher authorities, the small enterprises will retain their characteristic of being owned by the whole people, and their workers will retain the same status.

The regulations urge the small enterprises to practice the responsibility system for factory heads and managers. The factory heads have the power to promote workers to cadre level. Small enterprises which engage in the state's mandatory production plan have the power to readjust plans, market part of their products, and price their marketed products, in addition to ensuring that the state plan is accomplished, and the products delivered. Small commercial enterprises are allowed to order goods through various channels from industrial and commercial enterprises both inside and outside the province. Under the prerequisite of operating their main business well, they are allowed to deal in other trades, or to jointly sell part of their products with industrial and commercial enterprises both inside and outside the province.

CSO: 4006/34

## ECONOMIC MANAGEMENT

### GUANGDONG ENTERPRISE LEADERSHIP SYSTEM REFORM IN PROGRESS

HK091158 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 6 Oct 84

[Text] Reform experiments in the enterprise leadership system are being carried out throughout the province. Up to the present, of the 30 enterprises designated by the provincial authorities for trial implementation of the factory director or manager responsibility system, 10 have already put the system into effect. The remaining 20 are shifting to the work of affirming the power of factory directors, factory party committees, and factory trade unions, so as to create conditions for practicing the factory director responsibility system. Various cities have selected some 50 enterprises for trial implementation of the factory director responsibility system.

In August of this year, the provincial CPC committee and government decided to select some 30 large and medium-sized key enterprises, such as the Guangzhou No 1 rubber factory, the Shaoguan steel and iron factory, and the Jiangmen (Ganzi) chemical plant, to carry out enterprise leadership system reform experiments and for trial-implementation of the factory director or manager responsibility system. During the experiments, responsible departments at all levels and the enterprises concerned have laid stress on the work of selecting factory directors and managers for factories' leading bodies. In addition, they are conscientiously working out the details for the functions and power of factory directors, factory trade unions, and factory basic level congresses so as to enable factory directors and managers to assume consistent responsibility for production, operations, and administration.

Of the 30 enterprises employing trial-implementation of the factory director responsibility system, 5 are in Guangzhou. Furthermore, Guangzhou City is smoothly carrying out leadership system reform experiments in 41 enterprises, thus speeding up the province's enterprise leadership system reform.

CS0: 4006/34

## INDUSTRY

### BRIEFS

HEILONGJIANG METALLURGICAL INDUSTRY--Since the 3d Plenary Session of the 11th CPC Central Committee, metallurgical industrial enterprises in Heilongjiang Province have paid attention to readjusting product mix and conducting technological transformations, yielding remarkable economic results. In 1983, the total provincial output value in the metallurgical industry amounted to 850 million yuan, a 34.9-percent increase over 1978. Meanwhile, the province developed 1,994 new varieties of metallurgical industrial products. Over the past 5 years, metallurgical industrial enterprises in the province netted a total of 176 million yuan in profits. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 3 Oct 84 SK]

CSO: 4013/16

## CONSTRUCTION

### BRIEFS

**XINJIANG KEY PROJECTS**—Xinjiang Region's key projects have progressed smoothly. On 27 September, the expansion of the (Huicheng) Thermal Power Plant was checked, accepted and became the ninth key projects in the state and region to be put into operation this year. This year our region has 47 key projects which have been included in the state and the region's plans. To shorten the period of construction, at the beginning of this year the region demanded that all departments make concerted efforts and closely coordinate with each other to guarantee the smooth progress of the key projects. Now the construction of some of these key projects has been completed ahead of schedule. By the end of September, the project for the prospecting and exploiting of the Xinjiang oilfield was nearly completed and the region's civil aviation combined building has been basically completed. The Urumqi railroad station's waiting building, in which the Ministry of Railways invested, will be made available to users at the end of October. It is estimated that by the end of this year, 90 percent of 23 key projects will be completed. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 3 Oct 84 HK]

CSO: 4006/34

## FOREIGN TRADE AND INVESTMENT

### GUANGDONG FOREIGN ECONOMIC INFORMATION CENTER SERVICES DESCRIBED

Guangzhou YANGCHENG WANBAO in Chinese 3 Jul 84 p 1

[Article by Chen Xiaoyong [7115 2400 6978] and Cai Zhongchao [5591 1813 2600]:  
"Guangdong Provides Importation and Foreign Capital Services to the Interior"]

[Text] Concerned units in the interior that would like to understand matters relating to the introduction of foreign capital, technology and equipment can go to the Guangdong Foreign Economic Information Center. This information center has been set up by Guangdong to offer services to the interior.

On the one hand, the Foreign Economic Information Center builds a bridge and acts as a go-between to introduce foreign capital and advanced technology to the interior. At the same time it will introduce our province's methods, experiences and problems encountered in the course of work to fraternal provinces and municipalities.

Ye Chenghai [0673 3397 3189], member of the Guangdong provincial CPC committee's standing committee and chairman of the provincial Foreign Economic Relations Committee, also spoke to this reporter about how the Foreign Economic Committee plans to assist the interior on several points.

As far as possible, our province will turn two-party joint investments (cooperation) with foreign businessmen into three-party joint investments (cooperation) as needed for joint investments and cooperative enterprises whose raw materials come from the interior.

Utilizing training courses, discussion meetings and other formats, the interior will be assisted in training foreign economic personnel and help will be given to some units and areas in the interior to organize and perfect such a corps.

Possession of our province's advanced technology and equipment that has been introduced will be transferred to the interior, or joint investment (cooperation) ventures will be arranged. Such transfers have as their goal the development of the interior's economy and cannot be used purely to make a profit.

Information regarding foreign economies and international markets will be provided to the interior via various means.

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CSO: 4006/672

## FOREIGN TRADE AND INVESTMENT

### INTERVIEW WITH JING SHUPING ON FOREIGN INVESTMENT IN CHINA

Beijing LIAOWANG [OUTLOOK] in Chinese No 31, 30 Jul 84 pp 22-24

[Article by Lin Chen [2651 2525] and Lu Zhongyun [4151 0112 0061]: "Allow Them To Stride Through the Wide-open Door; Jing Shuping Discusses Introduction of Foreign Capital"]

[Text] Our country's policy of opening to the outside world is like a huge magnet attracting an increasing number of overseas investors. In recent months the number of visitors has multiplied as never before. During the past 2 months the Shanghai Investment and Trust Corporation alone hosted more than 2,000 foreign and Hong Kong businessmen. The domestic press has called this wave "investment intention fever."

However, "intentions" alone are not, after all, investments. Although the visitors are numerous, those who actually do invest are exceedingly cautious. In the 5 years since our country implemented the open policy, no more than 240 companies have signed contracts and begun operation on joint ventures and single investment enterprises. The total of direct investments is U.S.\$2.6 billion and it has been concentrated in the low-risk and technologically not very intensive foodstuffs, commercial and light industries. Few are really willing and actually dare to invest in advanced technology. A foreign journal said that a good number of foreign investors are "gathered outside of China's wide-open door," looking in.

"Gathered" proves that many foreign businessmen are very interested in investing in China. Then why don't they step through the doorway that is wide open? Is it that China's threshold is too high? What are they looking in at? When we posed these questions to Jing Shuping, administrative director (vice-president) of the China International Trust and Investment Corporation and general manager of the China International Economic Consulting Company, he laughed.

A look at 66-year-old Jing Shuping finds him considerably capable and experienced. He is a quick thinker and a good talker. This businessman graduated from the Shanghai Shengyuehan University in 1939; he later separately participated in the management of plants opened by his father and older brother. After liberation, he energetically participated in the socialist transformation movement and has since been deputy secretary-general of the National Association of Industry and Commerce. In 1979, Rong Yiren set up the China International Trust and Investment Corporation. Jing Shuping was a director in charge of the consulting

division. In order to meet the needs of international economic cooperation that were developing day by day, and to introduce more foreign capital even faster and better, with the investment company's assistance, in 1981 he set up the China International Economic Consulting Company with Jing Shuping as general manager. Throughout these years he has had a hand in the introduction of foreign capital to our country and has frequently visited various countries in Europe and the U.S. He both understands national conditions and knows the current situation well. He has an intimate understanding of how to speed up the introduction of foreign capital.

He candidly said to these reporters, "Our opening to the outside was an extremely wise policy decision. It benefits both the country and the people and is profoundly significant. Although we have not been introducing foreign capital for a very long time, we are first of all seeking a path that is basically suited to our national conditions. We have further set up special economic zones and a group of joint ventures and have accumulated some experience. These are major achievements. I am very optimistic about the future introduction of foreign capital. However, investments at present are still not quite ideal and the reasons for this have to be sought. The state is allowing me to introduce foreign capital; it trusts me so I must do my best."

Starting from "We Don't Even Like Each Other Yet, But Let's Talk About the Divorce"

Jing Shuping says that it is natural for some foreign businessmen to wait and see when calling on China for the first time because we do not know each other well. Nonetheless, some peoples' shrinking back is not due to unfamiliarity. They feel that certain questions must be resolved before investing in our country.

Our policy of opening to the outside world has been written into the constitution; it is undoubtedly a project of vital and lasting importance. At the Second Session of the Sixth National People's Congress, Premier Zhao pointed out that to develop foreign trade actively, and to utilize foreign capital in particular, advanced technology must be further introduced and the pace speeded up. Toward this end the party and government have formulated a series of principles and policies. However, due to our insufficient experience, some specific regulations are unfavorable to the principle of a thorough and long-term opening, for example, short-term regulations concerning the termination of joint investment projects after a fixed number of years. Joint venture discussions first start with the termination date and not how to make the business gradually develop. It is not easy to convince foreign businessmen on this point; they say that we "haven't even fallen in love and want to talk about divorce first." Thus we cannot avoid having a certain adverse effect on the enthusiasm for cooperation. Furthermore, the introduction of foreign capital frequently "gets stuck" on market questions. The central government has made clear stipulations regarding the portion of goods that are allowed to be sold on the domestic market, but often in negotiations, our side raises the question of reselling goods and is unwilling to allow a portion for domestic sale, as though such an allowance means a loss. In the end this often makes negotiations fizzle out. This indicates that some questions of how to understand the introduction of foreign capital have yet to be clarified.

We often say that we want to create an environment favorable to investment. What is an investment environment? In the final analysis, it means allowing those who come to be able to plan for benefits. When foreign businessmen come to China, their goal is to earn money, not to do charitable work. If you do not allow them to earn any, why should they bother to come? In particular, coming to us may not be the best plan if they are not allowed to earn. From the viewpoint of profit, of course we would not suffer losses in a short-term contract concluded with foreigners. Therefore, our goal in introducing foreign capital is not mainly to have our eyes on the little bit of money to be earned in a short time. From the strategic heights of technological development, short-term superficial contracts are not worth making. They can easily make foreign businessmen take a short-term view, lack enthusiasm toward adopting advanced technology and equipment and only consider taking advantage of China's cheap labor and preferential conditions, thinking that they will put the matter aside until after they have earned some money. For example, even though some joint venture hotels are built very attractively, there is often a worry that they will be "short-lived" because sound and advanced building materials were not used. Jing Shuping said that based on our understanding, the majority of enterprises that come to cooperate are backed by enormous research and development departments. If our "wedding" with them is to last longer, they might consider drawing on some "family resources" and laying a stable foundation, continually providing new techniques. In this manner, they will have earned money and besides our money, we will also "earn" technology, study management and make friends. Why not?

It is the same with market questions. It is said that because they worry about attacks on state industries, some people are not at all willing to open domestic markets. This is really an unnecessary worry. Today's opening and the "opening" that followed the Opium War are essentially different. Jing Shuping said that he knows this is so personally. At that time the doors were opened by foreign enemies and state industries naturally had a difficult time surviving. Today, economic lifelines and political power are not controlled by others. Opening and accepting capital are expressions of our faith and foresight. Particularly since we are confronted with the challenge of the new technological revolution, we should seize the opportunity and reduce the economic and technological gap between ourselves and the developed countries. To move back a step, would sealing off the markets really help protect and promote state industries? Presently, economic trade developments are becoming increasingly internationalized and trade exchanges are the order of the day. The mechanism of an integrated world market objectively exists and competition cannot be avoided. Even while such a high-tech country as the U.S. is investing overseas on a grand scale it is also introducing a commensurate sum of foreign capital. Our economy must be vigorously developed. Of course we must give priority to self-reliance, but at the same time we cannot avoid drawing support from and utilizing the world market. We definitely must have the whole world in mind on this question and should never stick to outdated and narrow views. The only thing that closed markets can protect is backwardness; it cannot help develop state industries at a new technological level. The result of yielding part of the market and giving up a portion of the profits is just some in-house competition; the advanced are supported and the backward spurred on. Is this bad? What is there to be afraid of? Furthermore, in exchange our country ultimately gets a greater competitive strength on the world market, so we should say that only this is the most active "protection" of state industries.

## Only Sound Laws and Regulations Can Reflect Policies

Another question that Jing Shuping feels rather strongly about is that of legal safeguards for foreign capital.

As far as a foreign businessman is concerned, he wants to be able to have the money he has earned in hand and be able to take it abroad. As far as we are concerned, we must ensure that the promised preferential conditions are implemented and guard against certain foreigners availing themselves of loopholes. To satisfy both sides, we must rely on policies first and laws and regulations second. Jing Shuping informed these reporters that presently one of the main worries adversely influencing foreigners from large investments is whether the law can provide guarantees. He said that foreigners have a different understanding than ours of investment environments. They feel that legal assurances are more important than "preparing the infrastructure for a construction project."

In 1979 our country promulgated the first part of the law concerning the introduction of foreign capital, the "Law on Joint Ventures Using Chinese and Foreign Investment." In the past few years, work in this area has quickly progressed. A road has been opened to introduce foreign capital; some several-score foreign economic decrees, regulations and provisional regulations have already been promulgated. Nonetheless, work in this area must still be perfected and strengthened. Jing Shuping mentioned one example. He said that presently all Sino-foreign joint ventures are limited responsibility companies and they ordinarily have legal positions in China. However, up to now we still have not promulgated a corporate law, thus the legal position has nowhere to begin. Furthermore, certain laws we have formulated are "dependent laws" but the "parent laws" on which they are founded have not yet come about. Thus, foreign businessmen are not totally at ease.

There are also some questions about the stipulations to and administration of the economic laws and regulations. For example, the meaning of certain articles in the laws and regulations is unclear; disputes frequently arise because of this. Jing said that laws embody policy, so we should fully understand the importance of economic laws in economic work. When contradictions arise between administrative decrees and legal clauses, the law should be taken as criteria. At the same time, we should further make clear the legal implications and binding force of certain legal clauses involving both Chinese and foreign parties, strengthen the administration of economic laws and place legislative, interpretive and amending powers under the jurisdiction of centralized legal departments. We should unify and put in order the decrees, articles and stipulations already promulgated so as to make them more complete, to ensure the understanding, stability and authority of the laws and to strengthen the foreigners' "feeling that it is safe" to invest in China.

### Don't Get "Hotheaded"

When we asked what proposals he had for introducing foreign funds at present, he mentioned two points without reservation.

First, we must put a high regard on preparations in the early stage. The introduction of foreign capital is very complicated "systems engineering." It involves many things and great difficulties. Presently, enthusiasm for introducing foreign capital is very great in various areas and departments but there is also a lot of blindness and the goals are not all clear. He said that, overall, we must be optimistic, bold and resolute but cannot "get hotheaded" in actual practice. We must be coolheaded, shrewd and down to earth. We cannot be impatient for success, lest "haste make waste."

Jing Shuping said that the so-called early-stage preparation refers mainly to having an overall plan for introduction. The state has a policy for introduction and a tentative plan; departments, areas and trades also have their own specific plans. Thus, we must pay attention to dovetailing these to the overall plan. The goal of our introduction is to benefit the state and state industries. Thus from the macroscopic viewpoint, we must make choices, have a direction and not rush in headlong. As for specific projects, we must do feasibility studies from many angles. We must be able to give convincing explanations concerning the goal and direction of transforming an enterprise that wants to, what the marketability of a product is, whether we have thought about international standards, whether raw materials can be obtained, which overseas companies could cooperate, what a company's capital strength and reputation are like, what our strengths and weaknesses are, etc. We must not only think about getting low interest loans. In sum, if we do not know ourselves and the enemy, the money will very possibly go into filling a "bottomless pit." Why are today's negotiations often like a long-drawn-out "marathon" race? Mainly because of incomplete preparations, so that we often fight "contact battles." The result of foreign capital introduced like this cannot be good.

Second, the introduction of foreign capital must be linked to reforms of the system so that reform promotes introduction and introduction motivates reform. There are too many involved in introductions right now. Various departments, areas and units can directly negotiate with foreigners; this has created a situation where too many small projects have been introduced and the large ones cannot be supported. Therefore, I propose the establishment of a centralized coordinating organ and strengthening the leadership over introductions to improve efficiency and avoid unnecessary duplications.

Additionally, starting up joint ventures also requires that our administrative system be adapted to it. For example, imports of some complicated products necessitate synchronized coordination. If a car manufacturing project were introduced, it would require a division of work and cooperation by many plants to make some spare parts. Thus, the technological quality of these cooperating plants must be correspondingly upgraded. This means reorganizing trades for these industries and accelerating the pace of specialized production.

Jing Shuping also mentioned that we presently do not have many joint ventures, but taking a long-term view, we should consider how to bring foreign capital and joint ventures into the orbit of the state's planned economy in the future and make them component parts of the entire state economy.

At the end, Jing Shuping said with full confidence that we are only beginning to introduce foreign capital and have insufficient experience. Some questions will be resolved in practice if only the policies are on the right track. I think that the crucial point to gaining the confidence of foreign businessmen is to seek truth from facts. It is worth drawing on Singapore's experience in introducing foreign capital: depend on policies and not advertisements. I believe that employment of really down-to-earth methods has to make even more foreign capital pour into China's wide-open door.

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## FOREIGN TRADE AND INVESTMENT

### LIANG LINGGUANG DISCUSSES GUANGDONG'S OPENING

Guangzhou YANGCHENG WANBAO in Chinese 18 May 84 p 1

[Article by Yang Jisheng [2799 4949 4939]: "'Go to Guangzhou and See It If You Don't Believe It!' NPC Representative Liang Lingguang Discusses Results of Guangdong's Opening to Outside World and Enlivening of Domestic Economy"]

[Text] "Implementing an opening to the outside world and an enlivening of the domestic economy requires a firm and unserving resolve and measures suited to these policies, including a management system." Liang Lingguang discussed Guangdong's experience with this reporter.

Since 15 May, the Guangdong delegation that attended the Second Session of the Sixth National People's Congress has related the province's experience and has deliberated on Premier Zhao Ziyang's political work report. They hold that the resolutions promulgated in the report concerning doing a better job in the Special Economic Zones and opening a group of coastal port cities are of major significance to the promotion of Guangdong's economic development. Liang Lingguang said that Guangdong has adopted a series of flexible measures since 1979 when the central authorities allowed the province to implement policies of opening to the outside world, for example, the right to transfer personnel to lower levels, foreign economic corporation rights, etc. By so doing, the whole province quickly set 1,000 boats to sail and 10,000 horses to race. Some village production brigades have been doing the processing of client materials and compensatory trade. In the past 5 years, the province has concluded and signed over 32,000 contracts utilizing various types of foreign investment and has introduced advanced technology and equipment, expanding from the simple processing of client goods under the scope of cooperation with foreign and Hong Kong businessmen to important construction projects in energy resources, transportation, telecommunications, etc.

Liang Lingguang continued, "To implement the opening to the outside and an enlivening of the domestic economy requires not vacillating, not being panic-stricken and especially not retreating if problems arise." He said that for a short time, Guangdong made certain first and second category goods as third category goods, opened up markets for third category goods and used market pricing to solve the shortage of certain commodities.

For a time, prices rose wildly. Everyone had opinions about this. Guangdong did not "stop" in the face of pressure from public opinion but rather strengthened the management of pricing, formulated upper limits for pricing flotation and attacked serious violations of discipline. Two years later, the regulations for pricing proved useful: goods were plentiful and prices fell. Liang happily said, "In Guangdong right now, chickens, ducks, fish and meat are plentiful. Fruit, which was in short supply in the past, is rather abundant. There is an unlimited supply of fresh fish and prices are low. Last year, Guangzhou's price index only rose 0.7 percent, less than the rise in the national average." At this point he glanced at the reporter, "If you don't believe it, go to Guangzhou and see for yourself."

"Some people link economic crimes with the opening to the outside. This is unfair. The crux of the matter is management. If management is bad, even if the country were closed and locked, there would still be economic crimes. Of course, management requirements are somewhat higher since the opening to the outside." Liang Lingguang spoke this far and explained to this reporter that at the same time that Guangzhou is opening to the outside, it is paying attention to strengthening the establishment of a socialist spiritual culture. At present, public order is rather good in Guangzhou due to strengthened administration. There are fireworks every year in Guangzhou prior to the New Year's Eve Spring Festival, ordinarily attended by 1 to 2 million persons. In the past it was difficult to avoid having some incidents occur, but in these 2 years order at the fireworks has been very good.

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## FOREIGN TRADE AND INVESTMENT

### BRIEFS

WUHAN WELCOMES INVESTORS--The Sanzhen market in Wuhan is completely opening up and welcomes domestic and foreign businessmen to initiate investments. This was announced at a press conference held yesterday by the Wuhan city government. The mayor, Wu Guanzheng [0702 1351 2973], gave a talk the contents of which follow. The city government is providing 240,000 square meters of land and welcomes industrial, agricultural and commercial enterprises from all over plus supply and marketing cooperatives and other economic departments as well as businessmen from Hong Kong, Macao and abroad to come to Wuhan and set up marketing, purchasing, transport and tourist centers, hotels and restaurants and various industrial and commercial enterprises. Beginning next year, annual large-scale commodity exchange meetings will be held and the entire country is invited to participate in the activities. In mid-July of this year, publication of the WUHAN HANGONG [WUHAN PRICES] daily newspaper will begin. [Text] [Guangzhou YANGCHENG WANBAO in Chinese 30 Jun 84 p 1] 12615

CSO: 4006/672

## SPECIAL ECONOMIC ZONES

### GUANGDONG SPECIAL ECONOMIC ZONE AGRICULTURAL DEVELOPMENT MEETING

Guangzhou YANGCHENG WANBAO in Chinese 8 Apr 84 p 1

[Article by Wang Yangze [3769 2254 3419] and Chan Huanzhan [7115 3562 1455]: "Agriculture a Major Special Economic Zone Feature; Guangdong Special Economic Zone Agricultural Development Strategy Symposium Held in Shantou"]

[Text] "Engaging in agriculture is a major feature of the Guangdong Special Economic Zone (SEZ). It is a new thing not only in China but worldwide." This was the unanimous consensus of the professors and specialists at the Guangdong SEZ Agricultural Development Strategy Symposium convened in Shantou from the 3rd to the 5th of this month.

Attending this meeting were over 30 professors and specialists from Zhong Shan University, Southern China Institute of Agronomy, the Provincial Academy of Social Sciences, the Provincial Rural Development Research Center and other units and workers from the Shenzhen, Zhuhai and Shantou SEZs. Everyone at the meeting reviewed and affirmed agricultural developments in the Guangdong SEZs. The various geographies, economics and other conditions in these three special zones will initially take priority and will develop distinguishing features. All indicate that the agriculture of the SEZs has its peculiar advantages. Utilizing SEZ policies to introduce advanced foreign technology and superior crop varieties, they will become agricultural testing grounds and will serve the modernization of our country's agriculture. As for the initial stress on agriculture in the Shantou SEZ, the meeting is particularly interested in agricultural control areas and other methods and has set up a Joint Agricultural Development Corporation that stipulates and makes clear the strategic goals for prioritizing the establishment of testing areas (an area of 2,300 mu has been set aside or is being planned for eight farms and one plant: an agronomy field, a chicken farm, an aquatic breeding ground, a horticultural area, a vegetable farm, a mandarin orange grove, a snake farm, an agricultural and sideline product processing zone and a beverage plant). It was held that although the present scale of agriculture in the Shantou SEZ is small, it plays a great role and has accumulated good SEZ agricultural development experience.

Scientific concepts for agriculture in the SEZs and the goals of development as well as strategic measures and other questions were discussed at the

meeting. It was felt that agriculture in the special zones could develop even faster and better, with even more striking characteristics, provided that our present thinking is further liberated, opinions are made uniform, policies concerning agriculture in the zones are relaxed and the scope of agricultural development is designated to accommodate the special zones.

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## SPECIAL ECONOMIC ZONES

### SHEKOU INDUSTRIAL DISTRICT'S NEW MENTALITY

Guangzhou YANGCHENG WANBAO in Chinese 10 Jul 84 p 1

[Article by Li Feng [2621 1496] and Yang Jisheng [2799 4949 4939]: "Shekou's Mentality: This New Mentality Emerging from Opening and Reform Is Assaulting Some Old Ways of Thinking and Is Changing the People's Spirit"]

[Text] "Cadres Must Create a New Situation"

Shekou has a "world on the sea." It took a large former cruise ship and moored it in Shenzhen Bay as a hotel and recreation spot. It is said that such an unconventional hotel is rare in the world. The former manager of this "world on the sea" was honest, upright, and hardworking and yet was dismissed not long ago. The reason was that he made no creative contribution to the "world on the sea."

Upon hearing such things, people who have just come from the interior would be very astonished, but the opinions of people in Shekou are different. They hold that the 12th Party Congress proposed that a new situation be created and stipulated that general targets be completed on time. Thus, cadres must create new situations and have the talent and competence to do so. Otherwise, it is very common for them to be transferred to jobs that they can do well.

In May of last year the Shekou Industrial District offered jobs to 46 cadres at the manager and assistant manager level or above. Their 1-year employment term has ended and 12 were dismissed when it came time to renew the offers. Those cadres dismissed had not made any mistakes; all were good comrades. The main reason for their "fall from power" was that their work was too uninspired.

"Reputation Is Very Important Capital"

Xu Zhiming [6079 2535 2494], one of the Shekou Industrial District's developers, told this reporter, "Reputation is very important capital. Without a reputation, one, you cannot borrow money; two, you cannot attract foreign businessmen to invest and build plants; and, three, you cannot market your own goods".

Xu Zhiming says that they borrow money from 10 or so Hong Kong banks. They are not asked what it will be used for, and they do not need a guarantee nor care about deadlines and can obtain several score million at a time because the Shekou Industrial District has a very high reputation. One foreign businessman came to Asia with a large investment project of over U.S. \$80 million. He ultimately decided to invest his funds in Shekou with peace of mind and decided to set up a joint enterprise with the entrepreneurs there.

Comrades engaged in Shekou's economic work hold that relying on reputation is one very important way to attract investment and to market products now that there is business competition. Reputation "absorbs golden eggs" for drumming up trade. Those who destroy the reputations of their own enterprises must be severely criticized and punished.

Certain enterprises in Shekou regard small-scale trade as they would large scale in order to make a reputation in the former and strive for the latter. Upon their first encounter with a customer they think ahead to the second and third encounters. They win confidence via price and quality and would never only consider what is in front of their eyes or strike a blow in business.

#### "Additionally Study Various Skills"

In the evenings, the lights are all on in the classrooms of the middle and primary schools in the Shekou Industrial District, as many adults are being trained there in various trades. A finance training course had originally planned to enroll 40 persons presently engaged in finance. Unexpectedly, a large group of persons not engaged in finance also signed up. In the end 120 were admitted, of which one-third were workers, hotel service personnel or store clerks. These students paid their own tuition and studied in their spare time. This reporter asked one worker-student, "Why do you want to study finance?" Without even thinking, he answered, "The iron rice bowl has been broken, so I want to learn some more skills. An additional skill is an additional rice bowl; it's one more way to contribute to the country."

#### "A Nameless Mentality"

Businesses, at the "bottom of the list of four occupations for the people," have always had an important place in Shekou. Many people are happy to be in business. They are crazy about it. Let's call it a "nameless mentality" for the moment!

Scholars tend to assemble here. When scientific and technical personnel meet, they all discuss business and the developing enterprises besides their own trades. When a cadre is assigned, the cadre departments ask whether the person understands business management and if he can do business. Yuan Linan [5913 7812 3948], a graduate of Qinghua University, became the manager of the Shekou Purchasing Center. He humorously thumped his chest and said, "I am a businessman!" The smiles of many store clerks

and hotel service personnel betray a contentment from "respecting business" and "enjoying business."

There is a saying here: opening to the outside world not only promotes material culture but also spiritual culture. Shekou's mentality is really the blooming of socialist spiritual culture.

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## SPECIAL ECONOMIC ZONES

### SHENZHEN DEPUTY MAYOR HAILS OPEN POLICY ACHIEVEMENTS

Guangzhou YANGCHENG WANBAO in Chinese 29 Jun 84 p 1

[Article by Li Chunxiao [2621 2504 2556]: "Opening Requires Reform, Reform Promotes Opening; Shenzhen's Progress Indicates Policy's Power; At Second Session of Sixth Provincial People's Congress, Zhou Xiwu [0719 3305 5294] and Li Guangzhen [2621 1684 6966] Speak Glowingly About Their Special Zone Construction Experiences"]

[Text] "Opening requires reform, reform promotes opening." This was said by Shenzhen's deputy mayor, Zhou Xiwu, at a small group meeting during the Second Session of the Sixth Guangdong Provincial People's Congress. He and Shenzhen deputy mayor and Baoan County head, Li Guangzhou, spoke in succession in glowing terms of their experience in constructing the Shenzhen special zone.

Zhou Xiwu said the policies of enlivening the domestic economy and opening to the outside have presented a new series of tasks to reform, for reform requires an administrative system that continually overcomes obstacles and develops productive power. Only in this way can an opening be further promoted and the pace of special zone construction accelerated. Zhou said that implementation of the policy of the opening is a strategic measure enjoying the people's support. In reality it has already been transformed into a great material force. However, certain comrades still have reservations about this and worry that an opening to the outside will adversely affect our country's sovereignty. Zhou Xiwu said that such misgivings are entirely unnecessary. The present opening to the outside and the pre-liberation "opening" are essentially different. Before liberation foreign capitalists used gunboat policies to force us to do so, making the nation lose its sovereignty. Now we are a socialist nation. Based on national sovereignty and the law, we adhere to the principle of equality and mutual benefit. Implementation of an opening to the outside will benefit our study of foreign strengths and introduce foreign capital, technology and management know-how. It will speed up the realization of the quadrupling plan, quickly making the state and the people wealthy.

Zhou Xiwu said that many countries are open to the outside and that the more the national economy develops, the greater the degree of the opening. For example, the United States invests a considerable amount overseas, but foreign investment in the United States is also very great. Comparing

the two, the latter is equal to 80 percent of the former. The domestic capital of the developing country of Singapore is not very abundant, yet it has created a favorable capital situation which is good at attracting foreign capital. Considering the proportion of funds in Singapore's industry, over 70 percent is foreign capital. It has developed from a country giving priority to the natural economy into a modernized state in the short space of 10 or so years. Since the 3d Plenum of the 11th Party Central Committee when our country implemented the policy of opening to the outside world, it has conformed to the historical trend of the times. One proof of this is the great results achieved in Shenzhen's economic development.

In his speech, Li Guangzhen listed several figures to illustrate the profound changes since 1980, when Shenzhen was officially set up as a special zone. He said that in the 4 years that Shenzhen has been a special zone, its gross industrial output value has accumulated 1.41 billion yuan, corresponding to 1.6 times that of the sum for the preceding 30 years; its total area of completed construction is 3.28 million square meters, equal to 6 times that of the preceding 30 years; its financial income has risen to over 684 million yuan, or 2.2 times that of the preceding 30 years; and its foreign exchange income is more than U.S. \$200 million, 1.57 times that of the past 30 years. There have been also changes in other areas, such as improvements in the residents' income levels and increases in social consumption power. Li Guangzhen said that Shenzhen's present progress fully illustrates the power of the open policy. In accordance with the spirit of Hu Yaobang's saying, he said, "Special matters are to be specially handled and new matters are to be handled in a new way; our standpoint will not change and our methods must be entirely new," and with Comrade Zhao Ziyang's words, "The system in the Shenzhen special zone definitely must leap beyond systems currently in effect" and Shenzhen must dare to reform, promote openings and endeavor to develop an even more flourishing situation.

12615

CSO: 4006/672

## SPECIAL ECONOMIC ZONES

### BRIEFS

SHENZHEN, SHEKOU CADRE SYSTEM REFORMED--According to information in the GUANGMING RIBAO, as of April last year the Shenzhen and Shekou industrial zones began reforming the cadre system, changing the leading-cadre appointment system into a recruitment system. The period of appointment for an industrial-zone leading cadre is 2 years; after 1 year there is a public review and those whom the masses distrust will be quickly changed. The period of appointment for company managers at level one is also 1 year. Since implementation of the recruitment system, there have been changes in the situation of leading cadres. Industrial-zone level-one leading-group members were on the average 14 years younger than the original members. The number of those with a university or middle technical and higher middle school education rose 27.5 percent and 80 percent, respectively. Company level-one leading-group members are even younger, and a group of young people around the age of 30 has advanced to the level of leading cadres. Of these, those have been educated at universities or middle technical and higher middle schools are 82 percent and 10 percent, respectively. [Text] [Guangzhou YANGCHENG WANBAO in Chinese 10 Apr 84 p 1] 12615

CSO: 4006/672

## LABOR AND WAGES

### WORKERS, BUSINESSMEN GO TO NORTHWEST REGION

OW100829 Beijing XINHUA Domestic Service in Chinese 0144 GMT 6 Oct 84

["Newsletter" by XINHUA reporter Feng Dongshu: "Waves of Richness Are Surging Westward"--XINHUA headline]

[Excerpts] Urumqi, 6 Oct (XINHUA)—In Dingxi County of Gansu Province, I mounted the passenger train bound for Xining. About one-third of the bags stacked on the baggage rack belonged to those passengers who were businessmen. Seated around me were three peddlers selling eyeglasses from Shaodong County, Hunan Province, and two in the garment trade from Danyang County, Jiangsu Province. This represented a new trend unprecedented in the history of Northwest China. The trend has played an active role in promoting the economic growth and reform of the northwest region, bringing about the prosperity of both the urban and rural areas, and making the local people better off. It is no wonder people call it a "wave of richness."

No one can say for sure how many people have been carried to the Northwest Region in the past few years by this west-bound wave of richness. In terms of the building workers from Nantong, Jiangsu, alone, more than 10,000 have thus far registered in Xinjiang. According to comrades of the Jiuquan Prefectural CPC Committee in Gansu and the Bayingolin Mongol Autonomous Prefectural CPC Committee in Xinjiang, the numbers of people coming to these areas from other places have both exceeded 5,000.

This trend appeared as a matter of course on the following conditions: 1) With the institution of the land-contract system in rural areas, there have been more laborers than needed. The surplus laborers want to find some way to earn their living. 2) The implementation of the flexible rural economic policy allows laborers to move from one place to another. 3) With the development of village and town enterprises, large quantities of products have been made and need to be marketed. 4) As a result of increased grain production in the country as a whole, people going to the northwest region need not bring grain ration coupons to buy food. 5) When they arrive in the northwest region, they have freedom to do their own business. They may open stores or set up sales stalls. Carpenters may peddle from village to village. 6) Prices of their commodities can be set through consultations or fluctuate according to market conditions. 7) When they arrive in the northwest region, they may lease a house and open a store. They may also recruit apprentice workers.

Now, if you travel from Lanzhou westward, you will see the clothes of young people in cities are even more "Westernized" than those in many island cities. Once a new style of clothes has appeared in Beijing or Shanghai, it only takes a half month for the same kind of clothes to be displayed at the garment stalls in Kashi, the westernmost city of our country.

The northwest region is rich in natural resources. In recent years, the local people have seen that outsiders are really capable people who earn more money than they do, even though they have rich natural resources. They are well aware that they can never get rich if they have only natural resources but no human resources. Therefore, in all localities in the northwest region, attention is paid to educational investment. Jiuquan Prefecture of Gansu Province has made arrangements for 250 people to receive training in inland colleges. Bayingolin Mongol Autonomous Prefecture of Xinjiang has also arranged to send 400 people to the interior of our country for training. In the meantime, many enterprises in the northwest region have arranged with enterprises and schools in Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang, Shandong, Hebei, Henan, Shaanxi, and Sichuan for cooperative operations or technology transfers. They give preferential treatment to those who provide them with technology. Village and town enterprises are most active in doing this. Due to their simpler organization and fewer impediments, these enterprises can take prompt action in this regard. In recruiting retired engineers, technicians, and veteran workers to help them, they offer a monthly salary of about 300 yuan for competent persons. Meanwhile, many enterprises are now developing their own fine products to be sold on the markets of coastal and inland areas.

CSO: 4006/34

## LABOR AND WAGES

### FIRST HUNAN CONGRESS OF INDIVIDUAL LABORERS OPENS

HK091528 Changsha Hunan Provincial Service in Mandarin 2300 GMT 8 Oct 84

[Text] The first provincial congress of individual laborers opened in Changsha 8 October. Leading comrades of the provincial CPC committee, the preparatory group of the provincial Advisory Committee, the provincial People's Congress Standing Committee, the provincial government, and the provincial CPPCC committee are attending the congress.

In his speech, Xiong Qingquan, secretary of the provincial CPC committee, pointed out: The present individual economy in our country is connected to socialist public ownership and is part of the socialist economy. It has the function of developing social production, making things convenient for people's livelihood, and expanding employment for labor which cannot be replaced.

Comrade Xiong Qingquan demanded: Under the leadership of the party and the government and under the guidance of the industrial and commercial administration departments, associations of individuals at all levels must vigorously and independently do their work, and must lead individual laborers to adhere to the four basic principles and the socialist orientation, to abide by discipline and law, and to wholeheartedly embark on the four modernizations. We must dare to struggle against the deeds of discriminating against, making things difficult for, excluding, and striking blows at individual households and encroaching upon individual households' legitimate rights and interests.

In conclusion, Comrade Xiong Qingquan said: CPC committees and government at all levels must strengthen leadership over the industry and commerce of individuals, must further eliminate the leftist influence, must solve the problems of cadres' confused ideas on developing individual industry and commerce, and must resolutely curb and correct the incorrect deeds of discriminating against, excluding, and striking blows at individual households. We must sternly deal with the serious cases and cases which have caused negative results.

CSO: 4006/34

## LABOR AND WAGES

### YUNNAN ISSUES CIRCULAR ON PERSONNEL, LABOR

HK110337 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 9 Oct 84

[Excerpts] The provincial labor and personnel department recently issued a supplementary circular on expanding state-run enterprises' decisionmaking power in personnel and labor.

The circular provides that due to temporary and seasonal needs in production, enterprises have power to employ temporary workers and seasonal workers for less than a year outside their plans. These workers should be employed first from urban areas and then from rural areas. The registered permanent residence and grain ration of a contract worker who is recruited by an enterprise from a rural area, must not be changed.

Rural labor forces for which arrangements should be made in accordance with regulations after their land is requisitioned for national construction, must be reported by the requisitioning unit to the labor and personnel departments of the local commissioner's office, autonomous prefecture, and city, for examination and approval. Recruitment should be arranged for them within the enterprises' plans for labor.

The transfer of workers from prefectures, autonomous prefectures, and counties and from other provinces, municipalities, and autonomous regions to units of the central authorities and province in urban Kunming City and to PLA units stationed in Kunming must be approved by the provincial labor and personnel department. The transfer of workers to Kunming City subordinate units must be approved by the Kunming City Labor and Personnel Bureau. The transfer of an assistant engineer of someone of equivalent title and above to Kunming City from another province can be arranged by enterprises themselves. The transfer of workers who exchange work in conformity with the principle of transfer, can be arranged by enterprises themselves without the necessity of reporting to the relevant prefecture or department. The regular workers at state-run farms, forestry centers, livestock farms, and fisheries shall, in general, cannot be transferred to other units under whole-people ownership.

The circular of the provincial labor and personnel department also specifically provides for the arrangements for the family members of talented persons employed outside the province. The circular points out: In the course of exercising decisionmaking power in personnel and labor, enterprises must seriously implement the state policies and regulations on labor and personnel and must be strictly prohibited from indulging in unhealthy trends. Labor and personnel departments at all levels have power to prohibit and correct the enterprises' deeds of violating the state policies and regulations. They can put forward views on dealing with the persons concerned.

PREMIER EXPLAINS STATE AID FOR PRIVATE SECTOR

OW030349 Taipei CNA in English 0307 GMT 3 Oct 84

[Text] Taipei, 2 Oct (CNA)--Premier Yu Kuo-hua said Tuesday that government agencies here will be required to further help private groups establish associations and enhance their roles in society.

He made the remarks in reference to questions concerning the functions and roles played by the various private groups in this country as raised by Legislator Ms Hsu Chang Ai-lien on the legislative floor Tuesday morning.

In the transitional period, he said, these private groups have played an essential role to channel ideas between the state and individuals. And the government has in recent years provided them with necessary encouragement and support.

According to statistics, the number of these private organizations being registered with the government has grown rapidly. In 1952, there were 2,560 such private groups with a membership of 1.31 million. By 1982 the number jumped to 9,060 with a membership amounting to 5.4 million, Yu noted.

The premier stressed that the government will require the related government agencies to further help would-be private groups register with government authorities and help enhance their functions in contributing to the nation and society.

CSO: 4020/13

JOINT ALUMINUM VENTURE WITH U.S. FIRM ENDED

OW030357 Taiwan CNA in English 0237 GMT 3 Oct 84

[Text] Kaohsiung, 2 Oct (CNA)--The joint venture project between the Taiwan Aluminium Corp and the Aluminum Co of America (Alcoa) officially terminated 1 October after 18 months of negotiations.

This was the second abortive international cooperation project between the government enterprises of the Republic of China and foreign corporations this year. On 6 September, the ROC Government announced the termination of a joint venture project with the Japanese Toyota Motor Co.

Taiwan Aluminium began to discuss with Alcoa the possibility for the establishment of a joint venture firm in March 1983. A memorandum was signed on 12 October the same year. The two parties signed an initial agreement on 25 March this year, with the American firm agreeing to invest at least U.S.\$5 million in the joint venture firm at the early stage and increasing the investment to over U.S.\$25 million in 4 years when the new firm begins operations.

Last 29 March, 4 days after the initial agreement was signed, the Council for Economic Planning and Development approved the joint venture project and the two companies began detail discussions.

Obviously, the two parties found too wide a gap to reach an agreement at the end of July and the ROC Government hesitated to approve the project. According to the memorandum, without the approval of the ROC Government before 31 July the negotiation would terminate.

The two parties decided to postpone the deadline until the end of September. The project is aborted anyway, because not much progress had been attained in the past 2 months.

An executive of Taiwan Aluminium said that the project failed to work out because the conditions demanded by the American company would put Taiwan Aluminium at the nod of Alcoa and were not acceptable by the ROC Government.

CSO: 4020/13

U.S. ALUMINUM JOINT AGREEMENT TO BE ENDED

OW270423 Taipei CNA in English 0300 GMT 27 Sep 84

[Text] Kaohsiung, 26 Sep (CNA)--Disagreements over conditions of cooperation between Taiwan Aluminium Corp and American Aluminum Corp will prompt the two sides to announce the termination of their joint venture plan, sources with the Ministry of Economic Affairs said Wednesday.

The sources reported that the ministry invited officials with the Ministries of National Defense and Finance, China Steel Corp and Taiwan Aluminium to a meeting to review the case on 24 September, and these officials decided that the plan should be scrapped.

China Steel's President Chin Mao-hui, this nation's chief negotiator in the ROC-U.S. joint venture, will write a letter to American Aluminium by the end of this month expressing "regret" over not being able to realize the joint project, the sources added.

The two sides began to talk about a joint venture company in March last year. They signed a memorandum last October providing that American Aluminum will make a U.S.\$25 million investment in the proposed company. The Council for Economic Planning and Development agreed to such an arrangement, thinking that the investment will help renovate operations of Taiwan Aluminium.

A ranking official with Taiwan Aluminium said that during the 18-month negotiations, the two sides could not reach an agreement on joint investments in processing products.

In addition, neither sides would make further concessions with regard to transfer of technology, import tariffs and restraints, stock shares and future development targets, the official, who declined to be identified, said.

The official further pointed out that after the joint venture plan is terminated, Taiwan Aluminium's processing business will be taken over by China Steel and the government will take care of its huge debts through reasonable measures.

Meanwhile, Chen Shu-hsun, executive director of MOEA's [Ministry of Economic Affairs] Commission of National Corporations reported in Taipei that a plan to revive Taiwan Aluminium has been mapped out by concerned agencies after nine careful review meetings.

Chen's report confirmed the Taiwan Aluminium official's statement that the company's alloy plant will be taken over by China Steel, which Chen said has more marketing personnel capable of competing with Japanese for a greater share of markets for aluminum products.

If there are improvements in its management, production, and the quality of its products, Chen said, Taiwan Aluminium still has good prospects.

CSO: 4020/13

EEC PLAN FOR LATIN AMERICA TO AID TAIWAN

OW290457 Taipei CNA in English 0244 GMT 29 Sep 84

[Text] Taipei, 28 Sep (CNA)--The China External Trade Development Council (CETDC) indicated that the European Economic Community's (EEC) plan to offer Latin American countries development assistance and preferential tariffs in order to accelerate its economic recovery will indirectly help the Republic of China expand the market on Latin America.

CETDC said that Latin American countries now enjoy preferential tariffs in exports to the United States because of the U.S. Caribbean Basin Economic Recovery Act. If Latin American countries, including Caribbean countries, could also enjoy similar privileges from EEC, then it will be very helpful for ROC's businessmen to develop external trade through Latin American countries.

CETDC said, the EEC formula to offer Latin American countries preferential tariffs and development assistance may pattern after its preferential tariffs agreement with East Asian nations. This will do good to the political stability of Latin American countries.

Diversification of its export market has been a goal of the ROC Government for many years. Latin America is one of the regions with which the government hopes to expand its trade. Since Latin American countries lack foreign exchange, however, the effect has not been good.

CSO: 4020/13

TAIWAN WELCOMES OVERSEAS CHINESE INVESTMENT

OW301049 Taipei CHINA POST in English 26 Sep 84 p 4

[Editorial: "Overseas Chinese"]

[Text] Officials of the Republic of China believe that overseas Chinese should return to Taiwan and see for themselves the impressive improvements achieved in recent years. Tseng Kuang-shun, chairman of the Overseas Chinese Affairs Commission, made his remarks at the opening ceremony of the seventh annual convention of the Taiwanese Benevolent Association of America last month.

Tseng declared the government of the Republic of China will welcome all overseas Chinese with open arms. The ceremony was attended by more than 1,000 delegates from seven chapters. Dr Frederick F. Chien, representative of the Coordination Council for North American Affairs, praised the association for its outstanding achievements in extending service to Chinese compatriots, promoting unity and mutual assistance, and encouraging the "love country, love hometown spirit."

U.S. Senator Alphonse D'Amato of New York lauded the people of the Republic of China for their firm pursuit of democratic principles. The Senator added that the United States has a moral obligation to support the democratic government of the Republic of China. President Ronald Reagan sent a congratulatory message to the convention in which he said "the people of the Republic of China and the American people have maintained a long-standing bond of friendship and that bond remains strong today."

Kao Yu-jen, speaker of the Taiwan Provincial Assembly, presented a proposal for study. The proposal included bridging the gap in communications and achieving mutual understanding among overseas Chinese. It also included acknowledging construction achievements in Taiwan in the last 50 years. He said changes should be made for some shortcomings existing in Taiwan and a basis should be made for improving the communications gap.

Hsieh Ju-pin, vice president of the Taiwan Benevolent Association of America, was named president. Fan Yang-sheng was elected vice president.

The association now has seven member organizations: in San Antonio, Houston, San Francisco, Los Angeles, Chicago, New York and Washington, D.C. It was decided the 1985 convention will be held in Houston.

We agree that more overseas Chinese should visit Free China. They will be impressed with the impressive gains made in recent years and will be encouraged to invest money in Taiwan enterprises. All will benefit.

CSO: 4020/13

ECONOMICS MINISTRY APPROVES 13 INVESTMENT PLANS

OW290421 Taipei CNA in English 0252 GMT 29 Sep 84

[Text] Taipei, 28 Sep (CNA)--The Commission of National Corporations has initially agreed on 13 investment projects of the state enterprises and the Ministry of Economic Affairs will submit the projects to the Executive Yuan for approval.

A ranking official with the Ministry of Economic Affairs said that if approved, these projects will be carried out starting fiscal 1986, which begins in July 1985. The ministry expects that with the implementation of these projects will help improve people's quality of life and encourage domestic investment.

While reviewing these projects, the official said, related government agencies have taken special care to see to it that these projects fulfill the economical requirement. Scholars and specialists were invited by the ministry to analyze the financial structure to make sure that they will not become financial burden to these corporations. Overall investment of the 13 projects is estimated to hit NT\$40 billion. (U.S.\$1 billion)

Among the 13 projects, the Chinese Petroleum Corporation alone will invest over NT\$30 million in 10 projects, including construction of gas storage and transportation facilities and naphtha cracking plant facilities and offshore oil exploration.

The Taiwan Power Company will use NT\$2.3 billion in building coal supplying systems in Linkuo in northern Taiwan and Shengao in eastern Taiwan.

And the China Petrochemical Development Corporation will invest NT\$1.7 billion in two petrochemical projects.

CSO: 4020/13

## BRIEFS

**ELECTRONIC EXPORTS', IMPORTS' RISE**--Taipei, 29 Sep (CNA)--The nation's exports and imports of electronic products rose sharply in volume in the first 7 months of this year, with exports of electronic calculators and accessories soaring 463.9 percent from the corresponding period of a year ago. According to statistics released by the Council for Economic Planning and Development, imports of electronic calculators and components for the January-July period rose by 98.8 percent. In terms of value, exports of the Electronic goods and parts were NT\$120 billion (about U.S.\$3 billion), up 40 percent compared with that for last year, while imports were NT\$57.9 billion (U.S.\$1.44 billion), up 20.7 percent. The council predicts good prospects for the nation's electronic industry in the remaining months this year. [Text] [Taipei CNA in English 1442 GMT 29 Sep 84]

**COMPUTER EXPORTS**--Taipei, 29 Sep (CNA)--Exports of the country's computer products were valued at U.S.\$400 million in the first half of this year, officials of Institute for Information Industry Marketing Center said Saturday. They forecast that exports in the second half could exceed the U.S.\$1 billion level. The projected export target for 1984 was originally set at U.S.\$770 million in addition to U.S.\$100 million for exports of components. Sales promotion of personal computers abroad by a local electronic manufacturer was one of the factors for the rising exports of the computer products, the officials said. Tatung Company, a leading electronic maker in this country, is expected to sell U.S.\$250 million of its computer products in overseas markets this year. [Text] [Taipei CNA in English 1445 GMT 29 Sep 84]

CSO: 4020/13

CHINA PLANS 15 PERCENT FOREIGN INVESTMENT TAX ON PROJECTS

HK130412 Hong Kong SOUTH CHINA MORNING POST in English 13 Sep 84 Business News Supplement p 1

[Article by Olivia Sin]

[Text] China proposes to levy a preferential 15 percent profit tax on all foreign investment projects in the economic and technical development zones established in China's 14 coastal cities, according to a leading Chinese tax official, Mr Liu Zhicheng.

The 15 percent flat rate, at the moment only applicable in the four special economic zones (SEZs) and Hainan Island, is much lower than that levied in other parts of China. The flat rate will apply to all equity joint ventures, cooperative joint ventures and 100 percent foreign-owned enterprises.

However, Mr Liu, a consultant at China's Tax Bureau, said not all tax benefits enjoyed by the SEZs will be applicable to the 14 zones. He stressed that the tax benefits outlined by him have been agreed "in principal" and detailed regulations are being drafted.

Addressing a press conference yesterday, he said more liberal tax treatment could be given to SEZs--Shunchun, Xiamen, Zhuhai and Shantou--since they have clear boundaries and are in more isolated geographical positions. This means tax and tariffs are easier to manage in these SEZs.

But not all the zones in the 14 coastal cities have clear demarcation lines. For instance, he said, the Minhang industrial processing zone in Shanghai is close to the city center, thus making the administration of certain tax benefits difficult.

Without going into details, he hinted that the question of giving exemption on the Commercial and Industrial Consolidated Tax (CICT) to foreign enterprises will be handled differently in the 14 zones as opposed to the SEZs.

In the SEZs, raw materials and machinery imported for the manufacturing process are exempted from CICT. A 50 percent reduction will be given on imported items such as cigarettes and liquors. He implied that the 14 zones may also enjoy exemption of CICT but the extent of exemption may not be as liberal as that in the SEZs.

Mr Liu, a former commissioner of the Tax Bureau, is leading a three-member delegation to Hong Kong to discuss tax matters with local accountants and businessmen. In addition, he said businessmen investing in big and high-technology projects in the 14 cities other than the zones may also be covered by the 15 percent flat rate.

Foreigners who invest more than U.S.\$30 million, or invest in projects involving high-technology, can apply to the Ministry of Finance to get the 15 percent tax rate, he said. However, he did not specify what constitutes high-technology industries. "Projects other than these will be subject at normal rate under the existing income tax law," he said.

Elsewhere in China, equity joint ventures are subject at 30 percent profit tax, plus 10 percent local tax. Cooperative ventures and 100 percent foreign-owned enterprises are subject to a progressive income tax rate of 20 to 40 percent, plus 10 percent local tax.

Earlier, Mr Liu introduced China's tax laws at a seminar held by Price Waterhouse, a local public accountants firm, on the current status of tax and accounting practices. He said in cases of trade disputes, foreign or domestic enterprises in various provinces can appeal to higher authorities or take the local tax bureau to court if disagreement arise.

He said China has signed "double taxation" treaties with U.S., UK, Japan and France.

Addressing the seminar, Mr Arthur Ho of Price Waterhouse said it is important that foreign investors understand these treaties. He said the treaties reduce the withholding tax payment on "passive" income from China and limit Chinese tax on business profits to those attributable to a permanent establishment.

The deputy chairman of the Hong Kong and Shanghai Banking Corp, Mr William Purves, used his luncheon address to the seminar to express confidence in Hong Kong's ability to mobilise the "considerable capital requirements of China's modernisation."

"The willingness of some Hong Kong banks to recycle Hong Kong's wealth into financing projects in China," he said, "must be accompanied by the skills and advice that traders and investors need to restructure their financing arrangements with China.

"It calls for particular expertise....And the experience available here is better than anywhere else."

CSO: 4020/12

PRC OFFICIAL ON TAXATION OF FOREIGN INVESTMENT

HK120200 Hong Kong HONG KONG STANDARD in English 12 Sep 84 Business Standard p 1

[Text] The tax burdens under the new Chinese laws governing the taxation of foreign investment are much lower than those applicable to domestic enterprises, according to China's Commissioner of Taxation Liu Zhicheng recently.

Mr Liu who is to speak here at a seminar on Thursday said the Joint Venture Income Tax Law and the Foreign Enterprise Income Tax Law had been recently promulgated to create favourable conditions for the introduction of foreign capital and advanced technology in China. He added that additional preferential treatment is available under the two laws over those applicable to domestic enterprises, which include state enterprises, cooperatives and sole enterprises.

Mr Liu said the tax policy was one of the elements of the state economic planning, which aimed at using allocation of fiscal revenue as a means to achieve the objectives of the state economic strategy.

Last year the Chinese Government introduced phase one of the reform titled "replacement of profit by tax." Phase two will be activated in the fourth quarter of this year, Mr Liu said.

The purposes of the reforms are to enable the tax system to better meet the requirements of economic conditions and to motivate domestic enterprises which will in turn facilitate economic development, Mr Liu said.

Explaining the "replacement of profit by tax" reform, he said in the past state enterprises remitted all their profits to the government. But now the remittance is replaced by payment of different types of taxes.

Without prejudicing the sovereignty of the country, China will continue to adopt preferential measures to protect the interests of investors and to encourage exchanges of capital and technology, Mr Liu said.

He said under the principle of reasonable and equitable tax assessment, China will accord equal treatment to all foreign investors.

In referring to international practices, he said China would adopt liberal measures in handling specific tax issues such as assessments and exemptions and determination of net income and related matters.

On the tax laws affecting foreign operations, Mr Liu said there are many specific preferential tax treatments available to foreign investors.

Article Five of the Joint Venture Income Tax Law provides for tax exemption in the first two profit making years and 50 percent tax reduction in the subsequent 3 years, resulting in the joint venture paying at an effective tax rate of less than 10 percent of its first 5 years' profits in China.

In order to further attract foreign investments, interest on loan capital can be capitalised into the depreciable basis of an asset, Mr Liu said.

Since March 1983, rules have been made concerning income of foreign personnel who are employed by joint ventures, co-production ventures, co-operative ventures or are employed by foreign companies, enterprises and other economic units in China.

If these individuals are in China because of their employment and they reside for between 1 and 5 years with no intention to be a permanent resident, then irrespective of whether they remit their overseas income to China or not, they are not required to report or pay tax on their overseas income, Mr Liu said.

Mr Liu also spoke about the preferential tax treatment available in special economic zones, where the income tax rate is set at 15 percent. He said newly established enterprises could seek further reduction and exemption of tax.

Where goods are manufactured for export purposes, no Commercial and Industrial Consolidated Tax (CICT) will be levied at the factory level except for a few types of commodities, he said. And where goods are manufactured for local consumption or for sale in the domestic market, CICT will be assessed at the normal rates.

Mr Liu also noted that real estate tax, land use fees and vehicle and vessels licence tax are assessed at the discretion of the local government in the special economic zones.

CSO: 4020/12

PRC, UK REACH AGREEMENT ON HONG KONG LAND PROBLEM

HK120148 Hong Kong HONG KONG STANDARD in English 12 Sep 84 p 1

[Text] China and Britain have agreed to impose a 3 percent annual tax on all land after 1997 to replace the present premium system. Sources said the land problem, which was one of the major issues discussed recently in the Sino-British negotiations, has been settled. The joint working group in Beijing is now wording the terms which will appear as an annex to the agreement on Hong Kong's future.

It is understood that after 1997, the premium will no longer be charged on land. Instead, a new tax system will be adopted. All land leases to the north of Boundary-street will expire on 30 June 1997. Astronomical amounts would be involved if premiums were charged on leases up for renewal. The premium system, thus, is considered not viable as most of the people would not be able to afford to pay.

The negotiators agreed that a 3 percent annual land tax, based on the value of the present premium, will be affordable to the majority concerned. Under the new tax system, each 700 to 800 square feet flat will be charged d90 to d100 a month.

According to a rough estimate the post-1997 Hong Kong government will be able to generate d200 to d300 million each year from the tax.

A review of the new system is planned for 2047, 50 years after 1997.

The same policy will also apply to land on Hong Kong Island and Kowloon where many leases extend beyond 1997.

Britain hoped China would recognise these leases but Beijing's position is that a uniform land policy is needed for the local government after 1997. China considers the recognition of leases on Hong Kong Island and the Kowloon peninsula will create a discrepancy in the territory's land policy. China has agreed, however, that the right of land ownership will be preserved for 50 years after 1997 while a review will also be carried out by 2047.

Under China's socialist system, all land belongs to the nation. The review that will take place 63 years later will decide whether the right of land ownership in Hong Kong will remain as at present or changed in line with China's land policy.

China and Britain have also agreed that half of the revenue from land sales in the 13-year run-up to 1997 should be reserved for the post-1997 government.

China is worried the present Hong Kong government might push on to the market all available land in the territory in these 13 years. If it does so, the post-1997 government would definitely run into financial difficulty since land sale is the major source of income for the local government.

The compromise worked out in Beijing can provide, on the one hand, a reasonable amount of revenue for the present government while, on the other, protecting the future government's financial resources.

It has also been agreed that the present local government is free to make use of half of the revenue from land sales during the transition period. The rest of the money will be held in reserve for the future government. In an emergency, however, the present government can use the reserve with China's consent.

One function of the joint liaison office, to be set up after the signing of the agreement on Hong Kong's future, is to monitor the use of the reserve. China, it is understood, has proposed to Britain that a land committee be set up for this purpose. But Britain turned down the suggestion on the ground that it will duplicate the work of the joint liaison office.

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HONG KONG GOVERNOR ON ECONOMY, FINANCES

HK050145 Hong Kong SOUTH CHINA MORNING POST in English 5 Oct 84 p 17

[Text] The governor, Sir Edward Youde, yesterday painted a rosy picture for Hong Kong's economic and financial situation.

In his annual policy speech to the Legislative Council, Sir Edward spoke of a strong economy, a rapid increase of domestic export, a stable exchange rate, a lowering inflation rate, an on-target revenue, a smaller-than-expected deficit and a close full employment. And he was confident the announcement of the draft agreement on Hong Kong's future would give renewed confidence and lead to a revival of domestic investment.

Despite the encouraging development, Sir Edward made it clear that the government had no plans to change the linked exchange rate system. He said 1984 "is the second year of export-led recovery and the indications are that the growth rate of our economy is going to be stronger than earlier expected."

Overall domestic exports for this year, he said, would probably grow by 18 percent and the territory's gross domestic product was expected to grow by 8 percent. "These growth rates are very encouraging.

"Once again the resilience of our economy and the external competitiveness of our products have enabled Hong Kong to reap the benefits of a revival in demand in our export markets, particularly the United States," he said.

Domestic exports to China have also increased rapidly, so that China has become Hong Kong's third largest market. "This is very much to our mutual benefit both economically and in the wider sense," said Sir Edward.

Our export performance has also led to a major improvement in the employment situation. In the 3 months from May to July, the unemployment rate was 3.4 percent and the underemployment rate was 0.9 percent, indicating that the labour force was fully employed, he said.

Higher incomes are reflected in the continuing growth of consumer spending. The rate of inflation has slowed since the beginning of this year to about 9 percent at present. Sir Edward said there seemed to be good

prospects that it would ease further in the coming months. "This is attributable to the combination of relatively moderate increases in world commodity prices and the stability of the Hong Kong dollar under the linked exchange rate system."

He believes Hong Kong's economy will continue to benefit next year from the expected growth in the world economy. But he cautioned that Hong Kong "remains as always vulnerable to external events." "Whatever happens, the government will continue with prudent and consistent policies involving minimum intervention, which, in the past, have been instrumental in fostering sustained economic growth," he said.

Sir Edward expressed concern over the protectionist pressures exerted on Hong Kong by the U.S.

He mentioned the reestablishment of restraint limits by the U.S. on a number of items which were supposed to have been liberalised under the 1982-1987 U.S.-Hong Kong textile agreement. "More recently," he said, "new customs regulations had been introduced which, apart from being disruptive to trade, are inconsistent with the basic principles on which our bilateral agreement was concluded.

"Legislative proposals for the renewal of the U.S. scheme under the generalized system of preferences, which will expire in January 1985, threaten to affect us adversely," he said.

Sir Edward said the government viewed all these developments with great concern. "We have already made known our views to the U.S. Government and, in respect of the textile issue, will continue to make every effort to restore the position both through bilateral consultations and in conjunction with other participants in the GATT and MFA."

Sir Edward said the economic recession in 1982 is still having an adverse effect on government revenue notably because of the depressed state of the property market and the poor performances of some companies that year.

In addition, duties collected so far this year have been lower than expected, possibly the result of substantial prebudget stocking. He said these shortfalls, however, were likely to be balanced by better than estimated revenue from other sources so that total revenue for this year "is still on target."

On the other hand, expenditure is running below the level estimated mainly because of continuing tight control and the competitive tender prices bid for some capital projects.

Sir Edward said it was expected there would be an appreciably smaller deficit on general revenue account than the budgeted figure of \$2.1 billion. This, in any case, represents less than 1 percent of the GDP.

Public sector expenditure in 1984-85 is likely to constitute slightly less than 17.5 percent of the revised GDP, compared with the original budget estimate of 18.3 percent. Total expenditure on capital works last year amounted to \$12 billion and a similar investment is forecast for this financial year. Of this, \$4.1 billion is expected to be spent on public rental housing and the home ownership scheme.

On regulating the financial sector, Sir Edward said enabling legislation to permit the operation of a new market in stock index futures and other financial instruments would shortly be introduced into the Legislative Council. And a further bill, aimed at improving the regulatory framework of the commodities trading ordinances, is being prepared.

He said a further step in the development of our financial sector would be the unification of our four stock exchanges, planned for the end of next year.

"As part of this development, legislation will be introduced this session regarding membership criteria for the unified exchange. Listing and compensation fund rules are also being prepared," he said.

Sir Edward noted that the recent growth in our exports had not been matched in recent years by as large as a resurgence of investment by local industry as we had experienced in the past. He said overseas investors on the other hand continued to show considerable interest in Hong Kong.

"Hong Kong has built up and maintained its industrial lead in the region through a continual process of capital re-investment in new plant and equipment.

"In a competitive world, we cannot afford to let that lead slip," he said.

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## HONG KONG ECONOMIC TRENDS

### BRIEFS

TOY EXPORTS Up--Hong Kong, 15 Sep (XINHUA)--Hong Kong toy export, the world's largest for the 12th year, reached 4.57 billion Hong Kong dollars in the first 6 months of this year, reported the latest issue of the HONG KONG MARKET. After a drop last year, Hong Kong's toy export had a 32.4 percent increase in the first half of this year. Non-motor-driven plastic toys and filled dolls registered biggest increases among the export toys. The latter had a seven times rise, compared with the same period of last year, while less electronic and video games were exported. Hong Kong toys are sold to the United States, Britain, the Federal Republic of Germany, Canada, Australia, Italy, Saudi Arabia, France, Singapore, and the Chinese mainland which had the biggest increase. [Text] [Beijing XINHUA in English 1435 GMT 15 Sep 84]

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